


CA20N
Z1
-1995
G011
copy 2


GOV
DOC.



3 1761 11849499 6

GREATER TORONTO

Report of the
GTA Task Force
January 1996



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761118494996>

GREATER TORONTO

Report of the
GTA Task Force
January 1996

Canadian Cataloguing in Publication Data

Greater Toronto Area Task Force (Ont.)
Greater Toronto

Commissioners: Dr. Anne Golden (Chair), Jack Diamond, Thomas W. McCormack,
Professor J. Robert S. Prichard, Dr. Joseph Y. K. Wong

Includes bibliographical references.

Issued also in French under title: La nouvelle ville-région de Toronto.

ISBN 0-7778-4823-6

1. Toronto Region (Ont.)—Economic Conditions. I. Title.

HJ9353.T6057 1996 336'.0147135 C95.964109-2

© Queen's Printer for Ontario, 1996

Ce document est aussi disponible en français

Copies of this report and the accompanying CD-ROM are available for a charge from:

Publications Ontario
880 Bay Street
Toronto, Ontario

Access Ontario
Rideau Centre
50 Rideau Street
Ottawa, Ontario



Mail order customers may contact:

Publications Ontario
50 Grosvenor Street
Toronto, Ontario M7A 1N8
Telephone (416) 326-5300
Toll-free in Ontario 1-800-668-9938
Fax (416) 326-5317 or (416) 326-8315

Cover: Satellite Image of the GTA courtesy of the Ontario Ministry of Natural Resources, Provincial Remote Sensing Office.

LETTER OF TRANSMITTAL

PREFACE

| | |
|--|----|
| WHY THE GTA TASK FORCE WAS CREATED | 17 |
| HOW WE APPROACHED OUR TASK | 18 |
| Our Terms of Reference | 18 |
| A Vision-Based Approach | 18 |
| A Consultative and Collaborative Process | 19 |

PART I: SETTING THE CONTEXT

1. THE GTA: PRESENT, PAST, AND FUTURE

| | |
|----------------------------------|----|
| 1.1 THE GTA TODAY | 23 |
| Defining the GTA | 23 |
| A Snapshot of the GTA | 25 |
| <i>Geographic Profile</i> | 25 |
| <i>Demographic Profile</i> | 27 |
| <i>Economic Profile</i> | 28 |
| Quality of Life | 29 |
| 1.2 LOOKING BACK | 30 |
| Our Good Fortune | 30 |
| What We Did Right | 31 |
| 1.3 LOOKING AHEAD | 33 |
| Our Vision | 33 |
| 1.4 WHAT NEEDS TO CHANGE | 34 |
| The Barriers | 35 |
| The Opportunities | 37 |

2. UNDERSTANDING THE GREATER TORONTO ECONOMY

| | | |
|-----|--|----|
| 2.1 | CITY-REGIONS IN THE NEW GLOBAL ECONOMY | 39 |
| 2.2 | A TALE OF TWO CITIES | 40 |
| | The Jobless Recovery | 41 |
| | The Business Retention Challenge | 43 |
| | The Shared Economy of Cities and Suburbs | 44 |
| 2.3 | THE FOUR ECONOMIC ERAS | 46 |
| 2.4 | THE ENGINES OF GROWTH | 48 |
| | The Traded Economy | 48 |
| | The Manufacturing Sector | 50 |
| | The Service Sector | 52 |
| 2.5 | WHAT TRADED SECTORS NEED TO COMPETE | 54 |
| | The Automotive Sector | 54 |
| | Distributive Services | 55 |
| | Financial Services and Insurance | 56 |
| | Business Services | 57 |
| | Film Production | 58 |
| | Tourism | 58 |
| | The Business of Culture | 58 |
| 2.6 | GROWING THE GTA ECONOMY | 59 |
| | The Essential Building Blocks | 59 |
| | Investing in Infrastructure | 60 |
| | Building Our Human Capital | 61 |
| | Ensuring High Quality Education | 61 |
| | Ensuring High Quality Health Care | 62 |
| | Sustaining Our Quality of Life | 63 |
| | Attracting and Retaining Investment | 63 |
| | <i>Focusing on Strengths</i> | 63 |
| | <i>Offering Incentives</i> | 64 |
| | <i>Gathering and Using Knowledge</i> | 65 |
| | <i>Business Taxes and Other Costs</i> | 66 |
| | Coordinating Economic Development | 66 |
| | Framework for a GTA Economic Strategy | 68 |

PART II: PRACTICAL SOLUTIONS TO PRESSING PROBLEMS

3. REFORMING THE PROPERTY TAX

| | | |
|-----|--|-----|
| 3.1 | DEFINING THE PROBLEMS | 73 |
| | The Role of the Property Tax | 74 |
| | The Immediate Problems | 74 |
| | <i>Assessment Appeals</i> | 74 |
| | <i>How Property Tax Inequities Hurt Business</i> | 77 |
| 3.2 | WHY THESE PROBLEMS HAVE ARISEN | 79 |
| | An Outdated Assessment System | 79 |
| | Funding Welfare | 80 |
| | Funding Education | 82 |
| | Spending Levels, Provincial Grants, and Spillover Services | 82 |
| 3.3 | PROPOSING SOLUTIONS TO THE ASSESSMENT PROBLEM | 83 |
| | Assessment Base Alternatives: Residential Property | 84 |
| | <i>Unit-Based Assessment</i> | 84 |
| | <i>Value-Based Assessment</i> | 86 |
| | <i>Comparing The Impacts of Assessment Systems</i> | 89 |
| | Assessment Base Alternatives: Commercial and Industrial Sector ... | 94 |
| | An Improved Assessment System for the GTA | 95 |
| | A Common Assessment Base Across the Province | 96 |
| 3.4 | TRANSITION TO A NEW ASSESSMENT SYSTEM | 96 |
| | Addressing the Urgency of the Problem | 96 |
| | Moderating Tax Shifts | 98 |
| 3.5 | OTHER ASSESSMENT REFORM ISSUES | 99 |
| 3.6 | ADDRESSING PROPERTY TAX INEQUITIES THAT AFFECT BUSINESS | 100 |
| | Mill Rate Policy | 100 |
| | Pooling Non-Residential Education Taxes | 103 |
| | The Implications of Pooling | 105 |

4. SHAPING THE CITY-REGION

| | | |
|-----|--|-----|
| 4.1 | THE \$55 BILLION QUESTION | 111 |
| 4.2 | THE BENEFITS OF MORE COMPACT URBAN FORM | 112 |
| | Economic Benefits | 114 |
| | Quality of Life Benefits | 115 |
| 4.3 | THE CASE FOR INTEGRATED PLANNING | 118 |
| | Barriers to Efficiency | 118 |
| | Strategic Investment in Infrastructure | 119 |
| | Environmental Planning | 120 |
| | Clarifying Planning Roles | 121 |
| 4.4 | REMOVING REGULATORY OBSTACLES | 124 |
| | Performance-Based Zoning and Standards | 124 |
| | Eliminating Inappropriate Development Standards | 125 |
| 4.5 | ELIMINATING MARKET DISTORTIONS | 127 |
| | Development Charges | 127 |
| | User Fees | 129 |
| 4.6 | REGENERATING BROWNFIELD SITES | 131 |
| | Uncertainty in Site Selection | 132 |
| | Uncertainty in Site Development | 132 |
| | Delays in Site Preparation | 133 |
| | Eliminating Barriers to Brownfield Redevelopment | 133 |
| | <i>Legislative Changes</i> | 134 |
| | <i>Financial Incentives</i> | 135 |
| | <i>Information Gathering</i> | 136 |

5. STRENGTHENING MUNICIPALITIES

| | | |
|-----|--|-----|
| 5.1 | CLARIFYING PROVINCIAL AND MUNICIPAL RESPONSIBILITIES | 137 |
| | Provincial Service Responsibilities | 139 |
| | Municipal Service Responsibilities | 140 |
| | Provincial-Municipal Disentanglement | 141 |
| | Shared Responsibilities | 142 |

| | | |
|-----|---|-----|
| 5.2 | CLARIFYING REGIONAL AND LOCAL RESPONSIBILITIES | 143 |
| 5.3 | MUNICIPAL GOVERNMENTS AND SPECIAL PURPOSE BODIES. | 147 |
| 5.4 | THE OPPORTUNITY FOR PRIVATE SECTOR SERVICE DELIVERY | 149 |
| | Steering and Rowing | 149 |
| | Where the Private Sector Fits..... | 149 |
| | Potential Cost Savings | 150 |
| | Jobs, Quality of Service, and Accountability | 152 |
| | Monitoring Service Delivery | 153 |
| 5.5 | CREATING MORE ENTREPRENEURIAL MUNICIPALITIES | 156 |

6. GOVERNING THE CITY-REGION

| | | |
|-----|--|-----|
| 6.1 | THE GOVERNANCE CHALLENGE..... | 159 |
| | Principles for Restructuring Governance..... | 161 |
| 6.2 | OPTIONS FOR REGIONAL COORDINATION..... | 162 |
| | Stronger Provincial Leadership | 162 |
| | Inter-municipal Agreements..... | 163 |
| | Metro's "Supercity" Proposal..... | 164 |
| | The Consensual Model | 164 |
| 6.3 | A NEW GOVERNANCE STRUCTURE FOR THE CITY-REGION | 165 |
| | The City-Region's Boundaries | 166 |
| | The Greater Toronto Council | 169 |
| 6.4 | EXPANDING THE MUNICIPAL ROLE | 174 |
| | Community Services | 176 |
| | Public Health..... | 176 |
| | Fire Services | 177 |
| | Ambulance Services..... | 178 |
| | Streets and Roads | 179 |

| | | |
|-----|---|-----|
| | Parks and Recreation | 180 |
| | School Land and Buildings | 181 |
| | Municipal Electric Utilities | 181 |
| | Licensing | 182 |
| | Development Approvals and Permits | 182 |
| | Summary | 182 |
| 6.5 | STREAMLINING THE REGIONAL ROLE | 183 |
| | Flexible Service Districts | 184 |
| | Regional Planning | 186 |
| | Environmental Quality | 187 |
| | Economic Development | 192 |
| | Police | 195 |
| | Transit | 198 |
| | Water and Sewer Works | 199 |
| | Highways and Expressways | 200 |
| | Waste Management | 201 |
| | Regional Assets | 201 |
| | Licensing | 202 |
| | Summary | 202 |
| 6.6 | A NEW ROLE FOR THE PROVINCE | 203 |
| 6.7 | IMPLICATIONS FOR EDUCATION GOVERNANCE | 205 |
| | Options | 205 |
| 6.8 | FINANCIAL IMPLICATIONS | 206 |
| | Taxation | 206 |
| | Capital Borrowing | 208 |
| 6.9 | MANAGING THE TRANSITION | 210 |
| | Greater Toronto Implementation Commission | 210 |
| | Local Municipalities in Transition | 212 |
| | Timetable for Reform | 214 |

PART III: RECOMMENDATIONS 217

PART IV: APPENDICES

| | |
|--|-----|
| A) TERMS OF REFERENCE | 229 |
| B) TASK FORCE MEMBERS | 236 |
| C) PEOPLE WHO ASSISTED THE TASK FORCE..... | 238 |
| D) LIST OF SUBMISSIONS RECEIVED BY THE TASK FORCE..... | 244 |
| E) LIST OF BACKGROUND PAPERS | 250 |
| F) EXPLANATION OF IMPACT CALCULATIONS..... | 252 |
| G) SELECTED BIBLIOGRAPHY | 255 |

Dear Premier:

In April of 1995, the Task Force on the Future of the Greater Toronto Area was formed to respond to growing concerns about the health and workability of the city-region. We are pleased to present our report, which offers an integrated strategy to steer Greater Toronto towards a secure, prosperous, and sustainable future.

Our mandate was to deal with both the short-term and long-term needs of the region. We were asked to address those problems in need of “immediate action” — specifically, the property tax crisis — and to “provide direction for the future governance of the GTA.” Our Terms of Reference called on us to “focus on setting a new course for the new century,” and to “answer the fundamental questions our citizens are asking” about the region’s quality of life, governance, and competitiveness.

The Task Force realized very early in its deliberations that the continued health and prosperity of the GTA are critical to the well-being of Ontario. Greater Toronto is the economic heartland of the province and the nation, accounting for fully 50 percent of the Ontario economy and almost 20 percent of the Canadian economy. It is, moreover, a major source of tax revenues for both Ontario and Ottawa. The GTA’s economic role is increasingly pivotal as city-regions become the ascendant players on the world economic stage.

We also recognized that Greater Toronto is a highly interdependent region whose whole is greater than the sum of its parts, and whose overall health is dependent on the prosperity of those constituent parts. Our proposals speak to this interdependence and to the importance of both a regional and local identity. They are intended to affirm the diversity of local communities and a sense of belonging to a larger social and economic grouping.

Report Highlights

Our report is premised on a vision of Greater Toronto as *the place where people and businesses that can choose to be anywhere, choose to be.*

Our recommendations to support this vision include:

- a framework for a Greater Toronto economic strategy that focuses on both physical and human infrastructure;
- a common assessment system for Greater Toronto, based on Actual Value, with a program to cushion the impacts on those adversely affected;
- equalization of property taxes that businesses in the GTA pay for education;
- removal of the barriers to efficient infrastructure investment to allow for a more sustainable urban form;
- removal of overlap and friction between the Province and municipalities through a financially neutral disentanglement of responsibilities;

- improved coordination for services that cross boundaries, without centralizing service delivery;
- replacement of the five existing regional governments with a single, streamlined Greater Toronto Council with a more limited range of functions; and
- giving local municipalities added powers and responsibilities to deliver a wider range of services more efficiently.

The directions set out in this report are consistent both with the global trends affecting the city-region and with the Province's commitment to make government more efficient and effective. Our recommendations will simplify roles, clarify mandates, and eliminate unnecessary duplication. On the one hand, they will devolve decision-making powers to municipalities; on the other, they will coordinate strategic planning and investment and manage key resources and assets at the regional level. We believe that the changes we are proposing will benefit not only the residents, communities, institutions, and businesses of Greater Toronto, but will be felt throughout the province.

The Case for Change

Greater Toronto is one of the world's few city-regions that combines all the ingredients for social and economic success. We are a civil society — tolerant, law-abiding, culturally diverse, and cosmopolitan. We also have many competitive advantages — a high quality of life, a skilled labour force, a strong manufacturing and service base, and a well-developed infrastructure.

Despite our many strengths and advantages, we have reached the point where the status quo is no longer an option. The GTA needs comprehensive change on a number of fronts. Without it, the region's economic competitiveness and prosperity will decline. The property tax crisis will continue to wear away at Metro Toronto's tax base and dissolve investor confidence in the city-region. Strategic planning and investment on a region-wide basis will not happen. Urban development will continue in unsustainable and undesirable directions. And we will have failed to ensure that our residents receive the highest quality services at the lowest possible cost.

The Case for Economic Competitiveness

Notwithstanding Greater Toronto's strengths, its economy has only partly recovered from the recession. Though there have been steady gains in productivity, Toronto still trails other North American cities in both employment and economic growth. Businesses are migrating out of Metro and out of the region, lured by lower property taxes and the persuasive arguments of relocation experts in other jurisdictions. Our aging transportation infrastructure is not keeping pace with the competitive needs of many manufacturers and service businesses. Our competitiveness is further undermined

by the disjointed way various levels of government separately pursue their business attraction and promotion agendas.

Our report documents the economic challenges the GTA must meet to enable businesses to thrive locally and compete internationally. We also reconsider the public sector's role in economic development and recommend a better approach to attracting new businesses and promoting local business products and capabilities in international markets. We propose the creation of a public-private sector partnership to provide a single, strong, region-wide voice for economic development and investment marketing.

We recommend that the Province and the city-region nurture the engines of growth and sources of wealth-creation in the Greater Toronto economy. This means keeping our manufacturing base, particularly the automotive sector, strong and creating a business climate that encourages the expansion of important financial and other service industries. It also means maintaining our other key competitive advantages — a healthy and habitable urban core and a high quality of life — that make us such an attractive head office location for businesses.

Greater Toronto will not prosper unless we deal directly and expeditiously with the serious economic challenges we face as a city-region. We will pay a steep price if we fail to make the necessary changes. We will see the most productive parts of our economy wither or go elsewhere. We will see prosperity in the region's core and the suburbs decline in lock step. And we will see a once-great region squander its unique advantages and opportunities.

The Case for Property Tax Reform

Two pressing finance problems currently threaten Greater Toronto's economic stability. One is the continuing erosion of the property tax base through successful assessment appeals. The second is the inequity in the level of property taxes paid by businesses in Metro Toronto relative to those paid by businesses in the rest of the GTA.

We recommend the introduction of a comprehensive, uniform, and updated assessment system that is based on Actual Value Assessment — which our research shows to be more stable, more reliable, and more equitable than other assessment systems. We propose to cushion the impact of assessment reform by phasing in tax increases and decreases and by establishing a transition program for low-income households, along with a property tax deferral scheme for seniors.

The inequity in the taxes paid by businesses in Metro Toronto compared to those paid in surrounding municipalities requires urgent attention. Non-residential property taxes are up to three times higher in Metro municipalities than in other GTA municipalities. The distribution of the burden for financing education is at the root of this problem. The tax system puts Metro businesses at a serious disadvantage in

comparison to businesses in other parts of the region, and encourages businesses to migrate from Metro to other GTA municipalities, which exacerbates the problem of an eroding assessment base.

In order to create a more level playing field for Greater Toronto businesses, we recommend pooling the education portion of commercial and industrial taxes across the city-region. Education, which accounts for 55 to 70 percent of the property tax bill, is a benefit that clearly crosses local boundaries. Pooling the education portion of business taxes across Greater Toronto is therefore the most effective and equitable way to narrow the tax gap.

The immediate benefit of our property tax reform proposals will be a dramatic reduction in the number of assessment appeals. This will protect the tax base from further erosion and permit municipal governments and school boards to fund their programs from a stable and equitable revenue base. It will avert the downward spiral of reduced assessment, higher taxes, and/or reduced services which, in other cities, has led to urban decay. The creation of a more level playing field for taxation will also put an end to the distortions that have made businesses hesitant to locate or expand in the GTA.

The Case for Integrated Planning

The need for a more strategic and integrated approach to city-building has never been greater. We must develop an urban environment that is responsive to the competitive needs of local enterprise and also sensitive to the needs of people and communities. The issues of urban form are critical, particularly given that Greater Toronto is expected to grow by two million residents by 2021, bringing the total population of the city-region to some six million.

Our recommendations focus on developing more compact, mixed-use, transit-friendly communities that offer many quality of life advantages and substantial cost-efficiencies. The Greater Toronto region could save more than \$12 billion in hard infrastructure costs and maintenance over the next 25 years if we were to adopt a more efficient, more compact pattern of development. We could save an equivalent amount by cutting back the additional costs associated with higher levels of land consumption and automobile use. A conservative estimate of the savings over the next two and a half decades is \$700 million to \$1 billion dollars annually.

Our proposals will promote more efficient development by implementing existing Official Plans which provide for more compact development. Our report calls for removing obstacles to the productive use of vacant industrial lands, revising development standards to reduce infrastructure costs and land consumption, and introducing the

user-pay principle of full-cost development charges and user fees. Integrating regional planning and infrastructure development will create healthier communities and generate significant savings.

The Case for Enterprising Government

People in the GTA feel they are over-governed. A multiplicity of governing authorities and special purpose bodies, with overlapping mandates and separate administrative structures and processes, has created jurisdictional gridlock in the city-region.

For three decades, commissions of enquiry and special committee reports have argued persuasively for the disentanglement of provincial and local government services and responsibilities. Government services and responsibilities have become so intertwined, so complex, and so costly that we can no longer afford to ignore disentanglement or wait for yet another report to tell us how desperately it is needed. The Task Force's proposals will disentangle provincial and municipal functions to increase efficiency, effectiveness, and accountability in the delivery of public services — and will do so on a revenue-neutral basis.

Though it is essential for GTA municipalities to become more entrepreneurial and competitive, current legislation prevents them from both exercising adequate control in local decision making and adopting entrepreneurial strategies and practices. The *Municipal Act*, which dates back to 1849, is a relic of a past when municipalities were small, lacked sophisticated resources, and were in need of detailed and restrictive legislation to guide them.

The Task Force recognizes that the Province is now beginning to loosen restrictions on municipalities. We recommend that municipalities continue to be given the freedom and flexibility they need to be more entrepreneurial and efficient by legislating a new *Municipal Act*.

The Case for a New Regional Government

The Task Force came to the inescapable conclusion that underlying nearly all the problems and issues facing our city-region is a fundamental lack of coordination. Greater Toronto's five regional governments lack the collective sense of purpose and momentum to address issues that could be handled more effectively on a region-wide basis.

Examples of fragmentation abound. Disputes among the regions over water, roads, sewers, and garbage disposal erupt frequently as municipalities engage in pointless in-fighting and competition. Tax competition and self-serving economic development activities are equally common and destructive to the city-region's interests.

We need a new governance model that coordinates decision-making at the regional

level, promotes investment on behalf of the whole region, reduces the number of decision loops, provides for integrated resource management, and gives municipalities expanded powers to deliver local services more cost-effectively. We therefore propose that the five existing regional governments be replaced with a single Greater Toronto government that has clear responsibility for planning and coordination on matters of region-wide interest. Local municipalities should be strengthened by giving them added powers and the responsibility for delivering a wider range of local services. Our proposal for a smaller and leaner system of government for the region will prove less expensive and more efficient.

The reduction of regional governments from five to one will see an accompanying shrinkage in the number of elected office-holders serving at the upper-tier level from 134 to about 30. The Task Force also anticipates some reduction in the number of municipalities through the consolidations that will flow from our proposed restructuring process.

We propose that you immediately appoint a Greater Toronto Implementation Commission to recommend specific boundary changes, after it undertakes the necessary analysis and public consultations. This Commission should also conduct a review of policing, consistent with the terms of reference we have outlined, and resolve issues we have raised about education finance. These are matters the Task Force was unable to complete within its shortened time-frame.

Adding up the Savings

Adopting these proposals for streamlining and coordinating services will result in total annual savings of between \$1 billion and \$1.5 billion for Greater Toronto municipalities, the Province, and the private sector. The forecast yearly savings, not including potential savings from consolidations of area municipalities that may result from our restructuring proposal, are considerable. Regional cost savings are in the order of \$107 million. More compact urban development will result in savings of between \$700 million and \$1 billion. Contracting out of local services will achieve between \$190 million and \$380 million in savings. Savings at the provincial level, based on staff reductions for GTA municipal planning and environmental regulation, will be in the range of \$17 million.

For a Greater Toronto

The region is at a turning point. It can either slip into decline, losing revenue and competitive advantage — and the attendant human and social benefits — or it can be reinvented as a thriving city-region that competes with the best in the world. It can deteriorate into rancorous and unproductive factionalism or it can develop into a stronger, more cohesive, and more effective city-region. It can, in short, work or not work.

GREATER TORONTO LETTER OF TRANSMITTAL

We believe that to retain our present business investment and attract new investment, improving our human infrastructure and quality of life is not just desirable, but essential. The Task Force is convinced that environmental and social goals can no longer be seen as being in competition with economic goals, but must all be viewed as part of an integrated strategy to help the city-region prosper. Our proposals will protect and promote those values of civility, humaneness, peacefulness, and social involvement which are deeply rooted in our neighbourhoods, towns, and cities.

We also believe that our recommendations will reinforce Greater Toronto's reputation as "North America's most livable international city" and enable it to thrive in the global economy. Unless the changes we recommend are made, we will be hard-pressed to hold on to our distinctive qualities and we will be badly positioned to seize those opportunities that could secure a more prosperous future.

The Task Force believes that adopting the integrated and straightforward plan of action we are recommending will restore confidence in our governing institutions and in the economic and social health of the region. We urge the government to view these recommendations as mutually supportive elements of an integrated plan that must be implemented as a package, rather than adopted in a piecemeal fashion.

The Task Force has been enlightened by the process we have undertaken and pleased by the remarkable degree of consensus we have reached. We have been heartened by our understanding that though there are real problems in the region, there are also real solutions. We urge you and your government to endorse and implement this report.

Sincerely,



Anne Golden, Chair



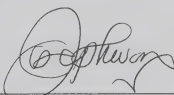
Jack Diamond



Thomas W. McCormack



J. Robert S. Prichard



Dr. Joseph Y.K. Wong

PREFACE

WHY THE GTA TASK FORCE WAS CREATED

The secure and satisfying quality of life that people in the GTA have historically enjoyed is under threat. The region's lagging economic recovery from the post-1989 recession has revealed its vulnerability in a changing global economy. People feel over-governed and unfairly taxed and they worry that the systems they have relied on — from municipal finance to public transit — are broken or no longer able to meet their needs.

The Task Force on the Future of the Greater Toronto Area was created by the Premier of Ontario on April 1, 1995 in response to these growing concerns about the future health and workability of our urban region.

Our Terms of Reference were ambitious: we were to set the Toronto region “on a new course for the new century.” Specifically, we were asked “to provide direction for the future governance of the GTA, including the potential restructuring of the responsibilities and practices of municipal and provincial governments.” We were to review virtually every aspect of governance of the five regions comprising the GTA; the only exceptions were waste management, non-local health management, and education governance.

The scope of this review and the complexity of the issues presented a formidable challenge. Equally daunting was the prospect of entering uncharted waters. We quickly discovered that there were no models to emulate, no ready-made solutions to be imported from other jurisdictions. The GTA, with its municipal-regional form of government, is unlike any other North American metropolitan area and faces unique challenges.

The urgency and importance of our task was clear. At stake was the maintenance of a healthy, vibrant, and economically competitive city-region. We were directed to address the issue of the “apparent and potential further decline in economic attractiveness of the core of the GTA” as our first priority, and specifically to propose, by the fall of 1995, a resolution of Metro Toronto’s “property tax crisis” that was viewed as a prime cause of this economic malaise.

In accepting its mandate, the Task Force struggled with the difficulty of tackling municipal finance separate from, and in advance of, completing our comprehensive review. Recognizing the urgency of the finance issue, we designed a process which permitted us to take account of both the short-term and longer-term tasks.

With the change of government in June 1995 and the renewal of our mandate under the newly-elected Premier, our time-frame was shortened considerably — from the original eighteen months to approximately nine months. The new deadline accelerated our work schedule and compressed our consultation and research plans. It also prompted the decision to deliver this single report, rather than present our findings in stages.

HOW WE APPROACHED OUR TASK

Our Terms of Reference

The Terms of Reference established some guidelines for the Task Force. We were to be action-oriented, collaborative, draw on extensive formal and informal consultations, operate in an open, transparent, and accessible fashion, and make creative use of communications technology. We were also to ensure the ongoing participation and advice of municipal and provincial staff and elected officials.

We were not intended to be a full-scale research body, but rather to build on the extensive body of existing research and to conduct primary research only where necessary to fill important knowledge gaps.

A Vision-Based Approach

Our first step was to examine the review processes used in other urban jurisdictions that had undertaken similar tasks.¹ We identified two alternative approaches: problem-solving and vision-based. The *problem-solving* approach focuses on current inadequacies of the system in order to develop recommendations for change. The *vision-based* approach defines a desired future and then determines the changes needed to close the gap between where we are and where we want to be.

We chose a vision-based process for several reasons: it is an approach more likely to lead to major change and breakthrough solutions, rather than incremental improvements; it is designed to produce integrated solutions, rather than piecemeal results; and it allows for managed, well-paced change, rather than *ad hoc*, reactive solutions. It also offers more opportunities to promote public discussion and involvement. Indeed, the fact that the Task Force received more than 300 submissions is indicative of the considerable public interest in the issues being addressed. (A list of these submissions appears as Appendix D to this report.)

¹ The commissions whose work we studied were: Task Force on Greater Montreal (Pichette Commission) 1992 - 1993; Royal Commission on Metropolitan Toronto (Robarts Commission) 1974 - 1977; The Ottawa Carleton Regional Review (Kirby Commission) 1992; Commission on Planning and Development Reform in Ontario (Sewell Commission) 1991 - 1993; Greater Vancouver Regional District (GVRD) Livable Region Strategic Plan 1990 - 1994; Metropolitan Portland Region 2040 Growth Management Initiative 1992 - 1995; and Rotterdam Metropolitan Government Reorganization 1990 - 1995.

Consultation with a broad range of groups and individuals was key both to our education on the issues and to testing our thinking as it progressed. Early in the process, we wrote to leaders from all sectors in the GTA to request their vision for its future. We received many thoughtful responses which helped us in conceiving the vision outlined in the first chapter of this report and in shaping our thinking on many issues.

Throughout our consultations, we were mindful that different types of publics needed to be involved in different ways. The Task Force met with more than 165 organizations and individuals, including elected officials, professional associations, labour unions, ratepayer associations, community service organizations, conservation groups, boards of trade, cultural and arts groups, among others.

From April through June, the Task Force undertook an extensive outreach program that involved meeting with every mayor and regional chair in the GTA — most in person, some by telephone, and many on more than one occasion. We also met with numerous municipal and regional councils.

The Task Force drew extensively on the expertise of many business people and academics as well. We co-sponsored and participated in the conference “Urban Regions in a Global Context,” organized by the University of Toronto in October 1995. The Task Force also worked closely with municipal and provincial public servants, including members of the Greater Toronto Coordinating Committee (made up of chief administrative officers from across the GTA) and provincial staff from the Ministries of Finance and Municipal Affairs and Housing. In the latter ministry, we worked particularly closely with the Office for the Greater Toronto Area.

Throughout our research and deliberations, we maintained a regular flow of information to more than 1,000 interested individuals and organizations through a fax bulletin developed to provide timely updates on our progress and our thinking. As well, we established advisory groups of “experts” from a variety of disciplines to help us clarify issues and develop solutions.

Because of our reduced timeframe, we were unable to undertake the broader consultation program we had originally envisaged. The shortened timeframe precluded public hearings and we focused our consultation efforts on the primary stakeholders and experts who were able to provide the Task Force with valuable data and advice.

We are deeply grateful to the people listed in Appendix C who met with the Task Force to offer advice and assistance. We are equally grateful to the many interested municipalities, organizations, and citizens listed in Appendix D whose submissions and views informed our thinking.

Finally, the Task Force offers a special and heartfelt thanks to our dedicated staff and advisors, listed below, for their tireless efforts and unfailing devotion throughout the preparation of this report.

Greater Toronto Area Task Force Staff and Advisors

Executive Director

John W. Livey

Research and Policy Team

Elizabeth Mulholland, Executive Assistant to the Chair & Senior Policy Advisor

Matthew Akman, Senior Policy Advisor

Bill Anderson, Betsy Donald, Mark Evelyn, Jeffrey Stutz

Special Advisors

Helen Burstyn, Burstyn Jeffery Inc. (Communications)

Roger Hyman, Roger Hyman Writing Services (Editorial)

Enid Slack, Enid Slack Consulting Inc. (Policy)

Administration

Margaret Chu, Barb Hickey, Donna Howarth-Beare, Paddy Morton,

Suresh Pereira, Marlena Schewaga, Ket Smith, Elizabeth Surajdeen

Report Design/Production

DP&D Communications

The Task Force also acknowledges the contribution of the following people who served as staff for varying periods or provided other forms of assistance:

Interim Staff

John Farrow (Research Director)

Harry Kitchen (Research Director)

Elizabeth McLaren (Executive Director)

Sally Sheppard (Communications Director)

Diane Wolfenden (Communications Director)

Marcelle Clarke, Tom Coleman, Sean Dempsey, Bonnie Laing,
John Marshall, Jackie McCurdy, Karen Pianosi, Margaret Pemberton-Pigott,
Mark Polley, Aziz Quraishi, Claire Tallarico

The Task Force is grateful to the following people for their special contributions to the report*

Joe Berridge
Pamela Blais
Ken Cameron
Ken Greenberg
Glenna Carr — Carr-Gordon Limited
Dan Cowin, Peter Marshall, Craig Jamieson — Hemson Consulting Ltd.
David Crombie
Susan Dunn — People Tech Consulting Inc.
Hershell Ezrin
Ann Finlayson
Susan Fish
Marlene Hoare — Good Ink Inc.
Neal Irwin — IBI Group Ltd.
Douglas Morrow
Heather Reisman
David Pecaut, Rocco Rossi — The Boston Consulting Group
Don Stevenson — Canadian Urban Institute
Cam Watson, Gary Scandlan — C.N. Watson and Associates Ltd.

The Task Force also wishes to acknowledge the contribution of Gary Herrema, who will be greatly missed.

*A complete list of consultants, advisors, and contributors to the Task Force report appears in Appendix C.

THE GTA: PRESENT, PAST, AND FUTURE

"Whenever and wherever societies have flourished and prospered, rather than stagnated and decayed, creative and workable cities have been at the core of the phenomenon."

Jane Jacobs, 1993

1.1 THE GTA TODAY

All over the world, expanding metropolitan regions are becoming home to a growing percentage of the world's population. In North America, there are at least 10 metropolitan regions containing more than four million people.¹ The GTA is one of those expanding city-regions, made up of a mixture of mature cities, growing suburbs, newer edge cities, and adjacent rural communities.

There is no single, universally accepted definition of a city-region. Suburban growth now extends so far beyond traditional cities that urbanologists, economists, statisticians, and geographers have their own, widely differing perspectives on what constitutes a city-region.

According to one interpretation, the city-region is made up of the "center city, inner and outer suburbs, and rural hinterland...clearly and intimately interconnected in geography, environment, work force, and [by] a shared economic and social future."²

In 1988, when the provincial government established the Office for the Greater Toronto Area, the GTA comprised the Municipality of Metropolitan Toronto and the four surrounding regional municipalities of Durham, Halton, Peel, and York. This area covers some 7,200 square kilometres and contains a total of 30 local area municipalities.

**Defining
the GTA**

1 U.S. Department of Commerce, Bureau of the Census, "Statistical Abstract of the United States 1994," p. 42. They are, in descending order of size: New York, Los Angeles, Chicago, Washington-Baltimore, San Francisco-Oakland-San José, Philadelphia, Boston-Worcester-Lawrence, Detroit, Greater Toronto Area, and Dallas-Fort Worth.

2 Neal R. Peirce with Curtis W. Johnson and John Stuart Hall, *Citistates: How Urban America Can Prosper in a Competitive World* (Washington, DC: Seven Locks Press, 1993), preface.

Statistics Canada offers a narrow and somewhat prosaic description of a census metropolitan area (CMA) as a large urban area with a minimum population of 100,000 combined with adjacent urban and rural areas which have a high degree of economic and social integration with that urban area.

For Jane Jacobs, the city-region is defined by how far its "economic energy" extends. The city-region emanating from Toronto would correspond to the area we think of as the Golden Horseshoe — the urban area from Niagara to Oshawa, with Toronto at the centre.

EXHIBIT 1.1: MAP OF GREATER TORONTO AREA



The Task Force has based its definition of the GTA on three criteria: *commutershed*, or the web of commuting patterns that help delineate an economic region; *cohesiveness*, by which we mean the sense of relationship and common citizenship that transcends local boundaries; and *anticipated development*, which dictates that areas of future urbanization be included for the purposes of planning and managing growth.

These criteria reflect the economic, social, and physical ties that cross jurisdictional boundaries and together define the true parameters of the city-region.³

³ External boundary issues are discussed further in Chapter 6 of this report.

EXHIBIT 1.2: COMMUTER TRIPS ACROSS REGIONS - A.M. PEAK PERIOD



Source: Ontario Ministry of Transportation 1991.

Throughout this report, the reader will find the city-region referred to variously as the GTA, Greater Toronto, or the generic term, city-region. GTA is the description used in the Task Force's Terms of Reference and refers to the area of Metro Toronto and the four adjacent regional municipalities. The Task Force has consciously chosen to stress the term Greater Toronto, using it particularly when we speak about the future of the city-region. Indeed, we have entitled our report *Greater Toronto*. In so doing, we emphasize that Greater Toronto is no longer merely a geographic area, but a powerful, single economy, an interdependent planning unit, and an emergent political jurisdiction.

The Greater Toronto Area occupies a gently tilting plane roughly defined by the Niagara Escarpment to the west and, to the north, by the Oak Ridges Moraine which drains south into Lake Ontario. North of the moraine, the slope reverses and the water flows north to Lake Simcoe and Georgian Bay.

The landscape is etched by meandering watercourses that gather to form Sixteen Mile Creek, the Credit, the Humber, the Don, the Rouge, and other smaller waterways which together have carved out our distinctive network of ravines. These deep, wooded ravines and river valleys are part of the emotional geography and sense of identity of many GTA communities.⁴

A Snapshot of the GTA Geographic Profile

4 Robert Fulford writes that "The ravines are to Toronto what canals are to Venice and hills are to San Francisco....understanding Toronto requires an understanding of the ravines." *Accidental City* (Toronto: McFarlane, Walter & Ross, 1995).



To the south, the Lake Ontario waterfront is home to many of Southern Ontario's historic settlements and modern-day communities. The lakeshore has provided generations of people with a place to live, a source of food and fresh water, a transportation route, and recreational opportunities. But the lake, and the watersheds that feed it, are suffering from years of human use and misuse.

Fortunately, recognition that the waterfront can make a significant contribution to both our quality of life and our economic growth has spurred a wide range of revitalization activities: the Waterfront Trail is being extended, environmental regeneration projects are multiplying, and private sector investment is being stimulated. These efforts should help to make under-used and largely vacant lakefront lands productive again so that the true value of this regional asset can be fully realized.⁵

The towns and surrounding areas of the GTA were originally laid out by surveyors in the early 1800s based on a system of rural concessions. These early surveys of the colonial administration have endured as remarkably resilient features of the cultural landscape. Historically, they located and defined the then independent historic town sites of Toronto, Oakville, Milton, Streetsville, Woodbridge, Richmond Hill, Markham, Ajax, Oshawa, and others. This concession grid defines the main streets and arterial roads that today are the region's streetcar and bus routes.

The railway system introduced in the mid-19th century has expanded in a radial fashion and is now the basis of our commuter rail system. Much of our urban legacy can be traced to the railways, which, in addition to the prosperity they brought to the region, established deeply ingrained patterns of use, including the creation in more recent times of a vast network of highways superimposed on these earlier systems.

An aerial view of the GTA provides a telling picture of our impressive urban development. From above, one sees uneven concentric rings of urban growth that form a great arching oval with spokes and satellites north of Lake Ontario. Development has occurred unevenly throughout the surrounding regions. The most intensive development has taken place in a linear band around Metro Toronto, along the lakeshore corridor, and north along Yonge Street. Agricultural lands and greenlands still account for almost 50 percent of the GTA's land mass, and there are many smaller settlements in the area still untouched by urban development.

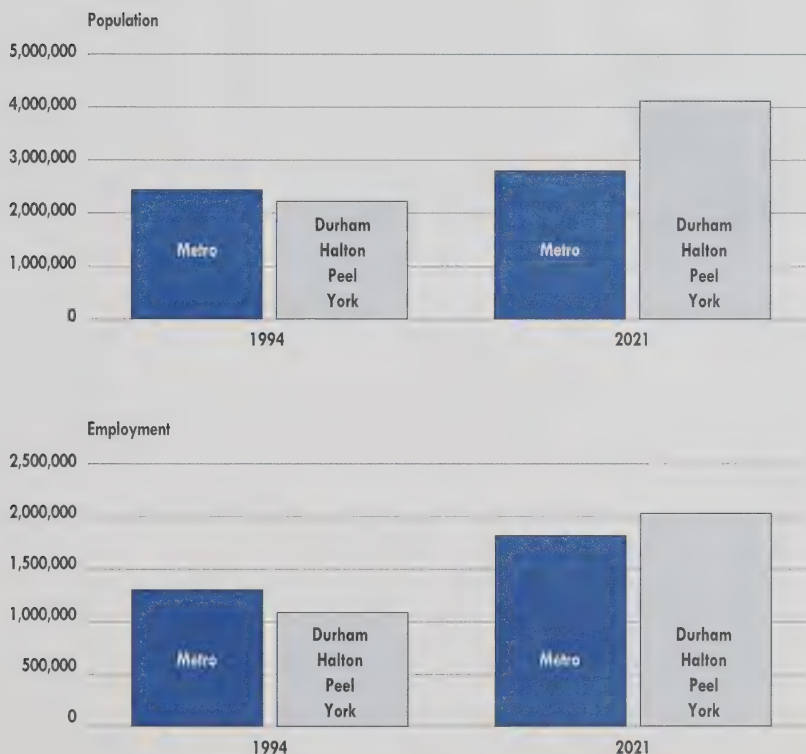
5 The Waterfront Regeneration Trust is committed to developing the asset's potential value to Toronto by galvanizing regenerative action. See "Toronto's Central Waterfront: The City With the Edge" (Waterfront Regeneration Trust, December 1995).

The GTA's population of 4.5 million makes it one of the largest metropolitan areas in North America. By the turn of the century, Greater Toronto will have more than 5.2 million residents and a workforce of 2.9 million.

*Demographic
Profile*

Toronto is among the world's most multicultural urban regions. Approximately 20 percent of the GTA's residents belong to visible minority groups. The GTA also welcomes a significant percentage of Canada's newcomers, 70 percent of whom now come from Africa, Asia, Central and South America, and the Caribbean. In 1991, immigrants constituted 38 percent of the Toronto Census Metropolitan Area's total population.

EXHIBIT 1.3: GREATER TORONTO POPULATION AND EMPLOYMENT
ESTIMATED FIGURES FOR 1994 AND 2021

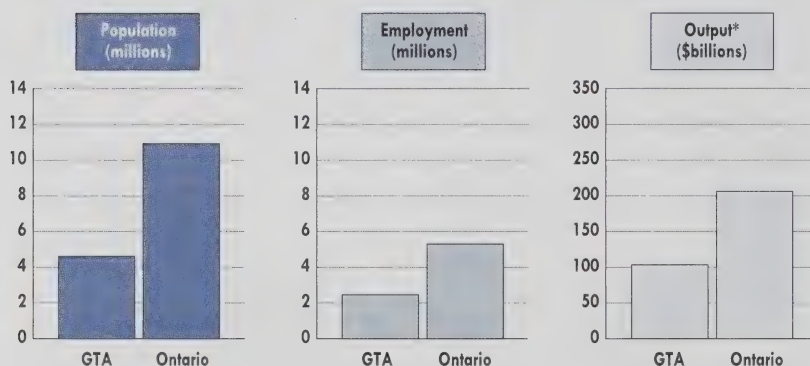


Source: Hemson Consulting Ltd. (November 1995).

Economic Profile

Greater Toronto contains more than 42 percent of Ontario's population and produces half of its gross domestic product. The GTA also accounts for almost 20 percent of Canada's economy, and is a major source of tax revenues for both Queen's Park and Ottawa.⁶ The City of Toronto is by far the most powerful engine of the regional economy as both a goods producing centre and a service provider. Although the city has just 15 percent of the city-region's population, its work force generates an impressive 30 percent of the regional economy as measured by labour output.

EXHIBIT 1.4: IMPORTANCE OF THE GTA TO ONTARIO, 1994



Source: Population and Employment data by Hemson Consulting Ltd. Output data by The Boston Consulting Group.

* Output is expressed in 1986 dollars.

A number of cities just outside the Metro boundary also account for a major share of the GTA's economic activity. Mississauga, Vaughan, Markham, and the automotive centres of Oakville and Oshawa are all strong contributors to the region's wealth.

The GTA's top ten employment sectors are manufacturing, retail trade, health services, personal services, education, government, food and accommodation, business services, construction, and wholesale trade. The GTA has more than 10 million square feet of retail space in the downtown core alone, and 30 million region-wide, making it the third largest retail area in North America, after New York City and Chicago. We also rank as one of the largest office space markets in the world and claim the highest concentration of industrial space in Canada and the Eastern United States.

The GTA is also one of North America's most dynamic and diversified financial centres. The Toronto Stock Exchange is the third largest by value and second largest by volume in North America. Sixteen of the top twenty foreign

⁶ While the GTA contributes 47 percent of total provincial revenues, it receives back only 40 percent of expenditures. See Exhibit 3.10 in Chapter 3 for per household impact.

P R E S E N T , P A S T , A N D F U T U R E

banks in Canada are headquartered in the GTA, together with six of North America's largest life insurance firms. After New York and Chicago, the GTA has North America's third highest concentration of jobs in the financial services sector.

The GTA is home to the world's most sophisticated users and suppliers of information technology. Toronto's telecommunications network, with 100 percent digital switching, is the most reliable system in North America. It also offers one of the most secure fibre optic systems and the largest free calling area in the world.

EXHIBIT 1.5: GREATER TORONTO TOP 10 EMPLOYERS, 1994

| | EMPLOYEES |
|---|-----------|
| 1. GOVERNMENT OF ONTARIO | 34,739 |
| 2. GOVERNMENT OF CANADA | 21,102 |
| 3. GENERAL MOTORS OF CANADA LTD. | 21,000 |
| 4. THE HUDSON'S BAY COMPANY | 16,000 |
| 5. THE MUNICIPALITY OF METROPOLITAN TORONTO | 14,938 |
| 6. CANADIAN IMPERIAL BANK OF COMMERCE | 14,763 |
| 7. ROYAL BANK OF CANADA | 13,461 |
| 8. ONTARIO HYDRO | 13,000 |
| 9. CANADA POST CORPORATION | 12,000 |
| 10. BELL CANADA | 11,900 |

Source: Mary De Reus, ed. 1995 *Toronto Region Top Employers Guide* (Toronto: Board of Trade of Metropolitan Toronto, 1994).

Greater Toronto's rich resources draw immigrants, businesses, and tourists to the region. Toronto has the third largest theatre district in the English speaking world, after New York and London, and its performing spaces — some carefully restored, some ultra-modern — are among the finest anywhere. Its symphony has the largest subscription audience in North America, the National Ballet is one of the world's foremost companies, and the Royal Ontario Museum is the fifth most popular on the continent. It is home to the internationally acclaimed Canadian Opera Company, the sixth largest in North America. It has fine public library systems, and superb research and archival resources. Among the excellent arenas is Skydome, the world's only sports venue with a fully retractable roof, and a tourist attraction in itself. Greater Toronto is home to the Art Gallery of Ontario, the McMichael Canadian Collection, The Metro Zoo, Ontario Place, the Canadian National Exhibition, and The Royal Winter Fair. Just as important to our quality of life are the physical and natural assets of the region — its open spaces, parks, ravines, and waterfronts. And this, of course, is only a partial list of those features which make us among the most attractive city-regions in the world.

Quality of
Life



In 1994, the *Places Rated Almanac* ranked the GTA the fourth best urban region of 343 urban areas rated in North America. The Corporate Resources Group in Geneva ranked it fourth of 118 cities in quality of life, while *Fortune* ranked it recently as the eighth best city in the world in which to do business.

All these attributes have combined to make Greater Toronto an exceptional place to live, work, and visit. We are a culturally diverse and civil society where excellent public services have resulted in a high level of safety and cleanliness. Within Metro, a well-designed urban structure, grid road network, and public transit system support the mix of residential and commercial uses essential both to its bustling downtown core and to its thriving neighbourhoods. Since the 1970s, cities and towns have grown and prospered throughout the broader region, providing a wide range of attractive choices for living and working across the city-region. A two-tier system of local government has facilitated regional planning and cost sharing that benefit the entire region.

1.2 LOOKING BACK

For nearly three decades, Toronto has occupied a special place among North American cities as “the city that works.” Peter Ustinov’s oft-quoted description of Toronto as “New York run by the Swiss” captures the city’s unique dynamic of cosmopolitan excitement wedded with order.

Our Good Fortune

Our success cannot be explained solely in terms of wise decisions. The Toronto urban region has also benefited from a number of local and historical advantages.⁷ We owe our early prosperity to a variety of circumstances, including:

- the discovery of Northern Ontario’s mineral wealth by Toronto-based railway companies;
- our proximity to major population centres in the United States;
- our emergence as Canada’s premier head office location, as well as its financial services and business heartland;
- a consistently high volume of immigration, which boosted housing demand and contributed to the entrepreneurial energy of the region;
- the continuing presence of middle and upper income families living in the heart of the city and maintaining an ongoing stake in its high quality of life; and
- the signal advantages we have enjoyed because as a Canadian city we participate in the nation’s social welfare programs.

7 Andrew Sancton, “Introductory Material for GTA Task Force Report” (July 17, 1995).

What We
Did Right

Some have suggested that the Toronto urban region owes its success largely to a time-lag.⁸ Because we developed later, and in some cases more slowly, than many American cities, we were able to learn from their experiences and ultimately make more informed choices for our own city-region.⁹ But the region's success cannot be explained solely in terms of good fortune or circumstances that caused us to develop later. Both the city and the Province made many deliberate choices that enabled us to do things right.

The creation of Metro Toronto, North America's first and most admired system of metropolitan government was a bold and far-sighted move. It established a regional body responsible for planning, funding, and implementing region-wide infrastructure and services, and it provided for access to the City of Toronto's then-rich tax base to help finance much needed infrastructure in the adjoining suburbs.

Metro Toronto has been hailed as "a jewel in the crown among metro authorities around the world."¹⁰ It was founded on sound basic principles: territorial comprehensiveness, fairness, efficiency, local responsiveness, and continued provincial government direction on major region-wide policy issues. These same principles drove the establishment of the GTA's four other regional governments between 1971 and 1974. Embedded in these principles are some lessons worth reapplying as we rethink Greater Toronto today.

Municipalities across the GTA have always demonstrated a *willingness to evolve* in order to address changing conditions and anticipated problems. The boundaries and powers of the municipalities in the Greater Toronto Area have been revised several times since 1953. In 1967, the 13 area municipalities comprising Metro were consolidated into six, while the neighbouring regional governments of Durham, Halton, Peel, and York were established in the early 1970s. The experience of the last 40 years demonstrates the region's responsiveness to change and underscores the merit of making forward-looking change at a manageable pace.

A strong *commitment to planning and timely infrastructure investment* is also embedded in the region's history. During its first eight years, Metro constructed almost 200 miles of trunk sewers and water mains, two new sewage treatment plants (and remodeled five others), 133 new schools, 85 miles of arterial roads, and 101 new bridges. During the 1970s, Durham, Halton, Peel, and York began

8 James Lemon, "Toronto Among North American Cities" in Victor L. Russell, ed. *Forging a Consensus: Historical Essays on Toronto* (Toronto: University of Toronto Press, 1984), p. 341.

9 Toronto's experience with inner city expressways is perhaps the best example of this. While expressways were part of Toronto's Official Plan since 1943, they were not scheduled to be built until the late 1960s. By then, the adverse effects of inner city freeways on cities in the United States were becoming apparent, and citizen groups, such as the *Stop Spadina* lobby, were able to mobilize successful campaigns against expressway expansion.

10 L.J. Sharpe, *Is There A Case For Metropolitan Government?* (Paper presented at the Conference on "Urban Regions in a Global Context" at the University of Toronto, October 18-20, 1995).

building their servicing infrastructure on a similar scale. These infrastructure projects made possible Toronto's systematic outward expansion during the period from the 1950s to the 1970s. In the past decade, however, infrastructure development of this scale has not been undertaken, and the urban region as a whole has begun to suffer as a result.

There has also been a strong *commitment to sharing social costs* in the region. This commitment began with the distribution of social housing across Metro, spreading the welfare burden more evenly between the downtown core and the surrounding suburbs. In 1967, Metro assumed responsibility for such community services as homes for the aged, children's services, and welfare. Similar provisions for the sharing of social costs and responsibilities were put in place across the GTA with the establishment of regional governments in Durham, Halton, Peel, and York. How best to share these costs equitably on a city-region basis is one of the challenges we now face.

Toronto is unique among North American cities for its sustained *commitment to public transit* as a transportation mode of choice for all residents, rather than as a social service for the less advantaged. Toronto's transportation policies have historically balanced the need for roads and transit. In the surrounding regions, areas like southern York Region and Mississauga established their own transit systems when they achieved the population densities necessary to make this a viable option. While U.S. cities became increasingly freeway and automobile-dependent, our capital investment in transit remained roughly equivalent to our investment in freeways and suburban roads. Unfortunately, our public investment pattern over the past decade has shifted to favour roads over public transit.

A healthy respect for neighbourhoods has been a hallmark of communities across the GTA. In the City of Toronto, neighbourhood preservation has been an official planning policy since 1972, when Mayor David Crombie was elected on a platform that saw a new central area plan created, limits on high-rise densities imposed, neighbourhoods preserved, and mixed-use development encouraged downtown. This commitment to maintaining and renewing old neighbourhoods was matched by a willingness to create new neighbourhoods, such as the St. Lawrence Neighbourhood, which houses some 10,000 people on reclaimed industrial land.

Communities like Markham, Richmond Hill, Oakville, and Burlington have successfully regenerated their historic downtown cores by reviving old main streets or restoring villages like Bronte Harbour. This commitment to preserving and regenerating urban neighbourhoods, no longer as strong as it once was, needs to be rediscovered and applied across the GTA.

Provincial interest and timely interventions have been instrumental in shaping the urban region's post-war development. Deliberate and comprehensive initiatives like the Parkway Belt Plan, the establishment of the Niagara Escarpment Commission, and the Provincial Greenlands Strategy that led to the protection of the Oak Ridges Moraine have all had a significant impact on the region. Interventions include the decision to halt the Spadina Expressway, the establishment of a commission and the Waterfront Regeneration Trust to examine waterfront development, and periodic attempts to redevelop Toronto's railway lands.

The Province's direct investment in institutions like Ontario Place, the Science Centre, the Ontario Agricultural Museum, the Art Gallery of Ontario, the McMichael Gallery, the Convention Centre, and SkyDome has enhanced the vitality and attractiveness of the entire region.

The Province has played, and should continue to play, an important role in helping to shape and sustain the city-region in the future.

1.3 LOOKING AHEAD

Greater Toronto is one of the world's few city-regions that combine all the ingredients for social and economic success. We are a cosmopolitan and civil society — culturally diverse, tolerant, and law-abiding. We also have many competitive advantages — a high quality of life, a skilled labour force, a strong manufacturing and financial services service base, and a well-developed infrastructure. Our challenge as a city-region is to sustain and build on our existing strengths and to prepare ourselves to meet the challenges of the next century.

The recommendations of the Task Force represent a strongly held consensus of five people with varied experience and perspectives whose common interest is in preserving the strength of Greater Toronto.

Our Vision

We envisage a city-region that remains a livable, humane, civil, and decent society.

We will be the economic engine that drives not only Ontario but the whole of Canada. Businesses, both domestic and international, will be attracted by our highly educated, motivated, and disciplined work force, by our sophisticated and integrated communications and transportation systems, by our enviable health-care system, by our concentration of excellent universities and colleges, by our cultural pluralism, and by our reputation as one of the world's most dynamic centres of arts and entertainment.

For tourists we will continue to be a magnetic attraction, and for immigrants a place to be greeted, sheltered, and offered a future.

We will be a region made up of healthy, thriving communities which offer choice and accessibility through a mix of housing, employment, recreation, and entertainment. Growth will be balanced with the conservation and enhancement of rural landscapes, agriculture, cultural and heritage resources, and the environment.

The government structure for Greater Toronto will allow us to continue as a model for metropolitan areas around the world.

In short, Greater Toronto will be the place where people and businesses that can choose to be anywhere, choose to be.

Our vision is based on an integrated view of the GTA which recognizes that our economic, social, and environmental well-being are inextricably linked. Our proposals are informed by a thorough analysis and understanding of the Greater Toronto economy and where our strongest prospects for the future lie. They also speak to the need to develop a capacity for effective decision-making on GTA-wide issues. Finally, our vision reflects a commitment to preserve the richness and diversity of a city-region boasting a vibrant downtown and surrounded by an attractive range of urban, suburban, and rural communities.

The Task Force members — along with many other individuals and organizations that gave their time, expertise, and ideas to this process — were motivated by the overwhelming sense that we are at a turning point in our life as a city-region and that the choices we make now will have a real and lasting impact on our future.

1.4 WHAT NEEDS TO CHANGE

Many of the problems of Greater Toronto today are similar to those that existed in Metropolitan Toronto in 1953. We are still dealing with boundary anomalies, fragmentation issues, and difficult infrastructure decisions. But there are stark new realities facing us today. The GTA's challenge is to reinvent itself into a city-region that is economically and socially sustainable in today's global context.

Change in the GTA is urgently needed and, in many cases, long overdue. Our economic growth is flagging. Inequities in our taxation system are deepening and, combined with an eroding tax base, are threatening the region's economic stability. Our infrastructure is outdated and is not keeping pace with the competitive needs of business and industry. Current urban development patterns



are too costly and inefficient to be left unchecked. Municipal governments have neither the authority nor the capacity to deliver services efficiently. And our government structures are increasingly ill-equipped to meet the competitive challenges facing the city-region.

An Inequitable and Eroding Tax Base

Two pressing finance problems threaten the economic stability of Greater Toronto. The first is the erosion of the property tax base as a result of assessment appeals. The second is the inequity between property taxes paid by businesses in Metro Toronto and those paid by businesses elsewhere in the city-region.

A dramatic rise in assessment appeals is eroding the property tax base. For municipalities across the region, this has led to significant losses in their assessment bases. In Metro Toronto alone the assessment base has dropped four percent in the last four years. Although Metro's appeal problem is more extreme than elsewhere in the GTA, the problem is growing outside Metro as the base becomes more outdated.

As the property tax base shrinks, service cuts and/or tax hikes are the inevitable result. Service cutbacks, because they affect our quality of life, and higher tax rates, because they discourage investment, are damaging to the GTA's business environment and make it less competitive compared to other major metropolitan centres around the world. The property tax gap is already deterring businesses from locating in Metro Toronto and continued erosion of the tax base can only diminish the region's competitiveness further.

Outdated Infrastructure

Businesses today are operating in a new competitive environment where timely movement of goods and services is essential. The GTA's infrastructure is aging and not keeping pace with the needs of many manufacturers and service businesses whose competitive advantage is tied to the existence of a modern, accessible, and reliable network of roads, rail, and air transportation.

Inefficient Urban Development Patterns

The 1980s pattern of low-density land use is now simply too expensive to sustain — in economic, environmental, and social terms. We can no longer afford the higher infrastructure costs associated with widespread low-density development, nor can we afford to under-utilize urban land and existing infrastructure while paying for expensive new infrastructure. Increasing commuter dependency on cars at the expense of our transit system is also costly

The Barriers



and impractical. In addition, we all pay for the other less obvious costs associated with inefficient land use — the reduced quality of life that comes with more traffic congestion, declining air quality, and the loss of greenspace and prime agricultural land.

Outdated Legislation

Competitive pressures, coupled with fiscal constraints, demand that governments everywhere adopt more innovative approaches to delivering services. Municipalities must engage in more entrepreneurial service delivery, either by providing services more cost-efficiently themselves or by contracting out services where there are demonstrated overall advantages to doing so.

The *Municipal Act*, which dates back to 1849, is a relic of a past when municipalities were smaller, lacked sufficient resources to manage their own affairs, and were in need of detailed and restrictive legislation to guide them. This and other outdated legislation prevents municipalities from developing a more entrepreneurial and cost-effective approach to delivering services.

Fragmented Economic Development

Greater Toronto's profile is diminished by its fragmented economic development efforts. Twenty-five of the GTA's municipalities are currently engaged in economic development activities, ranging from small business incubators to international marketing campaigns. There is no cohesive marketing force for attracting business, promoting local business products and capabilities in international markets, or servicing them well so that they remain and prosper in the GTA.

Economic development pursued in so many places and in so many ways works against the GTA's interests as a whole and prevents us from representing regional, as well as provincial, interests effectively with a single and strong voice.

Inadequate Governance Structure

People in the GTA feel they are over-governed. Services are provided by the federal and provincial governments, five regional governments, 30 area municipalities, 17 school boards, and countless special purpose bodies. The multiplicity of governing authorities, each with its own administrative structures and processes but with overlapping mandates, has led to jurisdictional gridlock in many areas.

Greater Toronto's regional governments are divided, uncoordinated, and lack the collective sense of purpose needed to address critical region-wide issues. A comprehensive transportation plan for the GTA has not been developed since the mid-seventies and disputes erupt frequently between regions over water, roads, sewers, and garbage disposal. Meanwhile, various provincial government departments involved in GTA-related approvals work at cross-purposes, stalling investment decisions worth billions of dollars. In an era of fiscal constraint and intense global competition, the costs associated with this level of inefficiency are no longer tolerable.

Achieving our vision for Greater Toronto depends on our ability to overcome these barriers. Failure to do so will be costly: the region's economic competitiveness and quality of life will decline; the property tax crisis will continue to wear away at our tax base, threatening our ability to pay for needed services and discouraging business growth in the region; urban development will proceed in unsustainable and undesirable directions; and we will have failed to ensure that our residents receive the highest quality services at the lowest possible cost.

Although many of the problems addressed in this report are not new, they have grown more pressing now that we face new competitive realities and unprecedented fiscal constraints. Our metropolis has been described as "North America's most livable international city."¹¹ Without change, we will be hard-pressed to hold on to those qualities that have made us great and we will be poorly positioned to seize opportunities for securing a more prosperous future.

The Opportunities

11 This view was expressed in our discussions with U.S. based international business location firms.



UNDERSTANDING THE GREATER TORONTO ECONOMY

"The great risk is that we look inward and argue about what fundamentally are distribution issues within the GTA rather than focus outward on the real challenge — maintaining and growing the economic advantages we have so carefully nurtured to date."

David Pecaut, 1995

2.1 CITY-REGIONS IN THE NEW GLOBAL ECONOMY

Cities and city-regions are the ascendant players on the world economic stage, a primary locus of economic activity and power in today's global context. The advent of the information-based global economy has forced nation-states to dismantle many of the economic barriers erected during the industrial era to protect domestic economies from foreign competition. Today's information networks by-pass national boundaries. Nations are thus becoming less important while regions are becoming more powerful. As futurists Alvin and Heidi Toffler predicted two years ago, "the real decision-making powers of the future will be trans-national companies in alliance with city-regional governments."¹

Among the themes that permeate the growing body of global city literature is the concept that cities, not nations, are the chief generators of wealth. More than 25 years ago, Jane Jacobs — a world-renowned urban economist and Toronto resident — explained how local urban economies affect national economies. In describing how a city grows first through the production of goods for its own needs and thereafter for export to other cities, Jacobs foreshadowed current economic thought by ascribing increasing importance to the local milieu for global competitiveness.² Similarly, economist Robert Reich, now U.S. Secretary of Labour, argues that a nation's competitive advantage is directly related to "the creative benefits of proximity" offered in zones that are always located in cities, though not necessarily at their centres.³

¹ Alvin and Heidi Toffler, "Societies at Hyper Speed," *New York Times* (October 31, 1993), sec. 4, p. 17.

² Jane Jacobs, *The Economy of Cities* (New York: Random House, Inc., 1969).

³ Robert B. Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (New York: Alfred A. Knopf, 1994), p. 236.

Some had predicted that modern technology would render cities obsolete and that telecommuting via fax machines and modems and decentralization of corporate back-office operations would empty downtown buildings. Although these activities are occurring and have important implications for business and transportation patterns, they have not diminished the importance of cities. Rather, new technology is strengthening connections within city-regions and, in some cases, contributing to urban concentration.⁴

2.2 A TALE OF TWO CITIES

It is the best of times and the worst of times for the economy of the Greater Toronto region. We have an enviable reputation the world over as one of the best places to live and do business, our economy has recovered from the recession, and rising productivity gains are pointing the region towards increasing competitiveness.⁵ But the city-region is also beset with serious economic challenges: trailing economic growth, a jobless recovery that is not absorbing a growing workforce, and the migration of GTA firms to other regions.

Although we have recovered in most respects from the recession, Toronto still trails other North American cities in economic growth. Between 1990 and 1994, Toronto's economy, as measured by Gross Metropolitan Product (GMP),⁶ grew less than the economies of all major U.S. city-regions. This reflects the after-effects of a one-time adjustment to Free Trade, which occasioned massive restructurings in both manufacturing and service businesses. Other factors behind Toronto's slow recovery include the overhang in residential and commercial property markets, which has depressed construction and other property-related businesses and a slow retail recovery due to weak consumer confidence. Many economists argue that the Bank of Canada's tight monetary policies of the late 1980s also constrained growth.

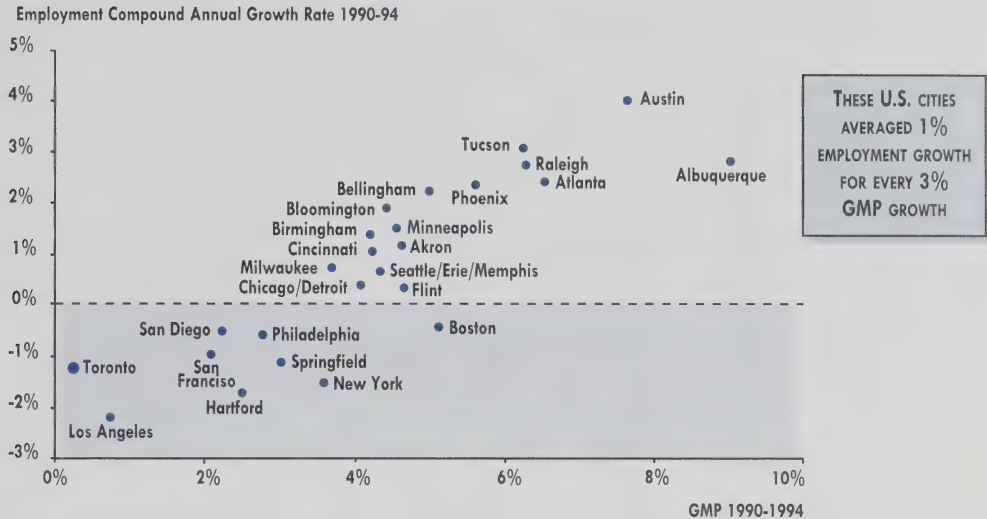
4 Meric S. Gertler, *The Nature of Contemporary Industrial Change* (Paper presented at Metro Hall Forum, Toronto, December 13, 1994), pp. 11-12; H. O'Neill and M.L. Moss, *Reinventing New York* (N.Y. University: Robert F. Wagner, Graduate School of Public Service, November 1991).

5 The Boston Consulting Group, "The Fourth Era: The Economic Challenges Facing the GTA" (Study prepared for the GTA Task Force, December 1995), p. 2.

6 GMP was calculated as the total of those inputs, materials, and services purchased outside the region plus the value-added portion of the total metropolitan output defined as all labour costs, profit, and capital amortization. This is an original measurement developed by The Boston Consulting Group for the GTA Task Force.

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.1: TORONTO'S TRAILING GROWTH



Source: The Boston Consulting Group analysis of Regional Financial Associates, Statistics Canada, and Ontario Ministry of Finance data.

The GTA also trails most U.S. cities in employment growth, as Exhibit 2.1 illustrates.⁷ Since the 1980s, the demand for unskilled and clerical jobs in the Toronto area has fallen sharply, while opportunities for more knowledge-intensive managerial and professional jobs have grown (see Exhibit 2.2). As the mix of employment in the region shifts, Greater Toronto is becoming more limited in its ability to generate a full range of jobs for the people who need them. Our industry mix makes us more vulnerable to the divergence between GMP and employment growth than is the case in much of the rest of Canada.

While parts of the GTA economy have recovered from the recession, employment levels have not rebounded. Despite productivity gains and marginal economic growth in some areas, the region has experienced a jobless recovery (see Exhibit 2.3). As Exhibit 2.4 shows, more than 300,000 people of working age are unemployed or are no longer seeking work. Moreover, employment recovery would have been far more limited if not for significant public sector job growth between 1990 and 1994.⁸

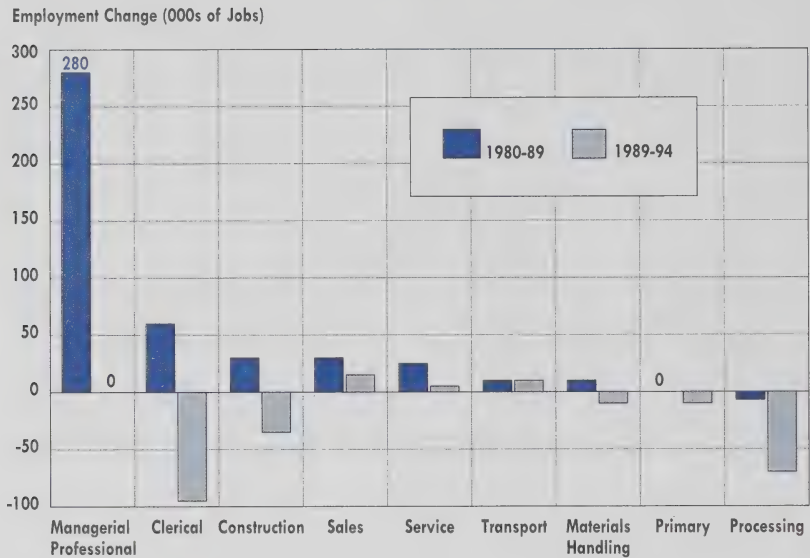
The Jobless Recovery

⁷ Compound Annual Growth Rate figures for 30 U.S. city-regions were tracked by The Boston Consulting Group on the basis of information provided by Statistics Canada, Ontario Ministry of Finance and Regional Financial Associates (RFA). The data used were Toronto CMA (Census Metropolitan Area), which is not identical, but close to, GTA. Unfortunately, very little data are collected on a GTA basis.

⁸ Between 1990 and 1994 public sector jobs in the GTA grew 11.8%. This compares to a total GTA job loss of 5.6% over the same period. Future cuts in the public sector will exacerbate the GTA's jobless recovery and place new demands on an already strained social services system. Public sector employment represents 18% of the total number of jobs in the GTA.

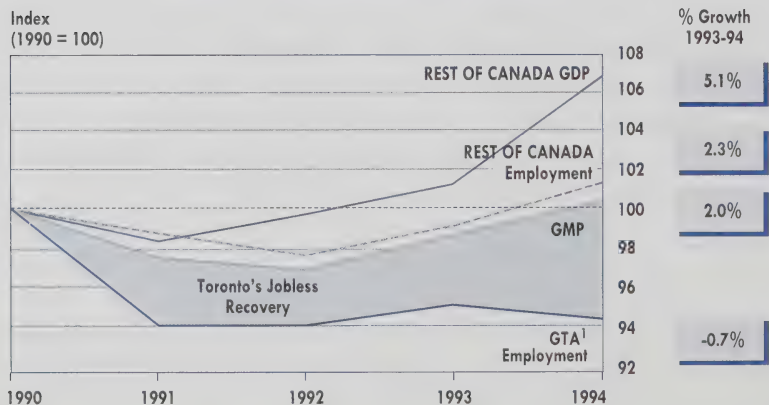
UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.2: THE CHANGING EMPLOYMENT MIX



Source: Municipality of Metropolitan Toronto, Economic Development Division analysis of Statistics Canada data.

EXHIBIT 2.3: GREATER TORONTO'S JOBLESS RECOVERY



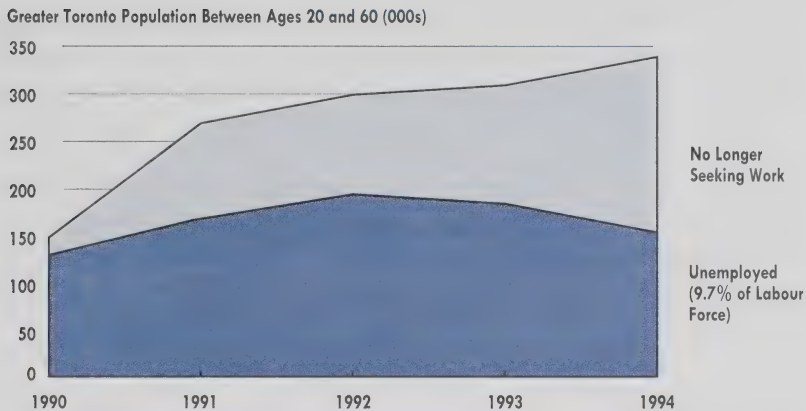
1 Actually Labour force Survey Region 530 which is not quite identical to GTA. Average data for 1994. Employment increased by 55,000 net jobs through end of October, 1995.

Source: Municipality of Metropolitan Toronto, Economic Development Division and The Boston Consulting Group analysis of Statistics Canada data.



UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.4: THE JOBLESS WORKFORCE



Source: Statistics Canada 1991 Census data and Labour Force Data, Compusearch Micromarketing Data and Systems, The Boston Consulting Group analysis.

Greater Toronto also faces the challenge of retaining valuable businesses in the region. Other jurisdictions are successfully “cherry-picking” important GTA firms — that is, luring them out of the region to grow their businesses elsewhere. Several U.S. states have established national offices in the GTA for the express purpose of convincing promising local businesses to relocate in their cities or states. These offices typically target key sectors like auto parts, plastics, food processing, and biotechnology for their aggressive relocation marketing efforts.

In the last five years, the State of Michigan’s offices in Canada helped convince 150 GTA businesses to expand in Michigan — at a cost of thousands of actual and potential jobs and millions of dollars in lost GMP to our region. Michigan is only one of many U.S. states with cherry-picking operations in the GTA. Others include the Florida Department of Commerce, the Georgia Department of Industry, Trade & Tourism, the State of Illinois Canadian Office, the State of New York, the State of Ohio Canada Trade Office, and the U.S. Consulate.

Some Canadian jurisdictions have also been actively wooing business away from Greater Toronto. New Brunswick, for example, has managed to attract more than 2,000 call centre jobs from GTA-based businesses in the last four years.

**The
Business
Retention
Challenge**



UNDERSTANDING THE GREATER TORONTO ECONOMY

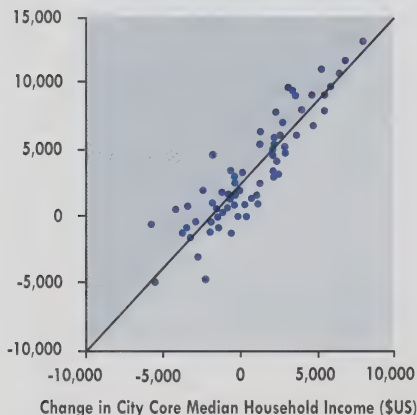
The Shared Economy of Cities and Suburbs

The economic performance of cities and the challenges they face are shared by their suburbs. There is a growing body of evidence to show that cities and their suburbs are economically interdependent. A recent study of 25 American cities documents how cities and suburbs constitute a single economy.⁹ It shows that when the economic performance of a central city declines, so does that of its surrounding suburban municipalities. Indeed, the highest overall growth in household incomes for metropolitan areas occurred where both suburbs and the central city grew at similar rates. There is ample evidence that suburbs surrounding healthy cities tend to be healthier than those that surround cities in decline.¹⁰

EXHIBIT 2.5: THE INTERDEPENDENCE OF CITIES AND SUBURBS

50 LARGEST U.S. METROPOLITAN AREAS 1979-1989

Change in Suburban Median Household Income (\$US)



"CITIES AND SUBURBS ARE INTERDEPENDENT. THEIR FATES AND FORTUNES ARE INTERTWINED. FURTHER, THE EVIDENCE SUGGESTS THAT THIS INTERDEPENDENCE... IS BECOMING STRONGER."

"A CITY AND ITS SUBURBS ARE NOT TWO DISTINCT ECONOMIES.... THE FATE OF THE LOCAL ECONOMIC REGION WILL DICTATE THE FORTUNES OF BOTH CITIES AND SUBURBS."

"DIMINISHING DISPARITIES WILL STRENGTHEN THE OVERALL LOCAL ECONOMIC REGION UPON WHICH BOTH CENTRAL CITY AND SUBURB DEPEND."

Source: Larry C. Ledebur and William R. Barnes, *All In It Together: Cities, Suburbs and Local Economic Regions*, 1993; quotations from The Boston Consulting Group interviews.

The differences between GTA core and suburban incomes are narrowing. Suburban incomes in Durham, Halton, Peel, and York are tracking more closely with core incomes over time. From the early 1980s to the late 1980s, the difference in incomes narrowed by roughly 27 percent.¹¹ The high correlation between city and suburban growth is a sign of their growing interdependence.

9 Larry C. Ledebur and William R. Barnes, *All In It Together: Cities, Suburbs and Local Economic Regions* (Washington, DC: National League of Cities, 1993).

10 H.V. Savitch in "Ties That Bind: Central Cities, Suburbs and the New Metropolitan Region," *Economic Development Quarterly* (vol. 7, November 1993), pp. 341-57.

11 Based on The Boston Consulting Group analysis of Statistics Canada data.

UNDERSTANDING THE GREATER TORONTO ECONOMY

There is evidence from the United States and, indeed, from within the GTA that the economic links between city cores and suburbs are getting stronger over time. As clusters of economic activity spread across the region, manufacturing and some office functions often move to outlying towns in the region, but the financial, advertising, accounting, legal, consulting, recruiting, and other service suppliers they depend upon are often clustered together in city cores. In successful city-regions the economic links between core and suburbs are so close and productive that one part cannot succeed without the other.

The onset of the recession in 1990 fuelled speculation that the central city was on a downward economic spiral.¹² Substantial employment losses, falling housing prices, and skyrocketing office vacancy rates have since raised the spectre that we may be heading towards a U.S.-style decline in our urban core.

Research done for the Task Force concluded that there is little justification for such an alarmist view.¹³ Whatever economic decline Metro may have experienced was also occurring throughout the rest of the GTA. Moreover, the economic downturn that affected the central area was offset by many positive developments. The central area of Toronto has maintained its population over the last 40 years (unlike the urban core of American cities where the population base has shifted away from the centre); housing values remain relatively high in the core even though house prices have fallen; and the crime rate in the central area, though higher than in the rest of the GTA, has not increased in the last five years. Toronto continues to have a strong, vital, and diverse downtown.

The real threat to the economic heart of Greater Toronto is the erosion of the tax base in Metro Toronto, which is particularly threatened because of its high concentration of social needs. This erosion reflects both the growing number of successful appeals and the loss of economic activity. As we discuss in the next chapter, a shrinking tax base means either reduced services or higher taxes, both of which drive businesses and residents out of the city and further weaken the tax base.

Market factors and technological change will inevitably cause the movement of some economic activity from the city centre. However, equitable tax policies, efficient regulatory processes, and timely investment in physical and social infrastructure will create a hospitable environment for businesses and people in the urban core and boost the economic viability of the city-region. The great success of this metropolitan region has been a public policy and private investment formula that has enabled suburbs to grow and prosper while strengthening and diversifying the core area as well.

12 As directed by our Terms of Reference, the Task Force gave serious consideration to "the apparent and potential further decline in economic attractiveness of the core of the GTA."

13 Enid Slack, "Is There an Economic Crisis in the GTA Core?" (Report prepared for the GTA Task Force, August 1995).

The balance of this chapter describes the GTA economy and outlines the changes required to ensure the region's growth and prosperity. The region's success will depend, in part, on improving productivity and cutting costs, just as businesses have done. More fundamental to the success of the region, however, are those policies that will promote economic stability and enhance the competitiveness of the sectors and businesses that are the engines of growth.

2.3 THE FOUR ECONOMIC ERAS

Since 1945, Toronto's economy has passed through three definable eras and is now entering a fourth.

The first was the *Post-War Era*, which saw the conversion of war industries to peace-time applications, the rise of import substitution for manufacturing and services, the emergence of branch plant manufacturing, and the planting of the seeds of the aerospace, telecommunications, and auto industries. This period was also marked by massive infrastructure spending and high levels of immigration.

The signing of the Auto Pact in 1965 marked the beginning of the *Automotive and Headquarters Era*. This was a period of dramatic growth in the auto industry. The city also saw a steady migration of headquarters and financial services from Montreal following the 1976 election of the Parti Québécois in Quebec. Traded business services, financial services, and communications grew rapidly. During this period of accelerated growth, Toronto gained its international reputation and spawned a tourism industry.

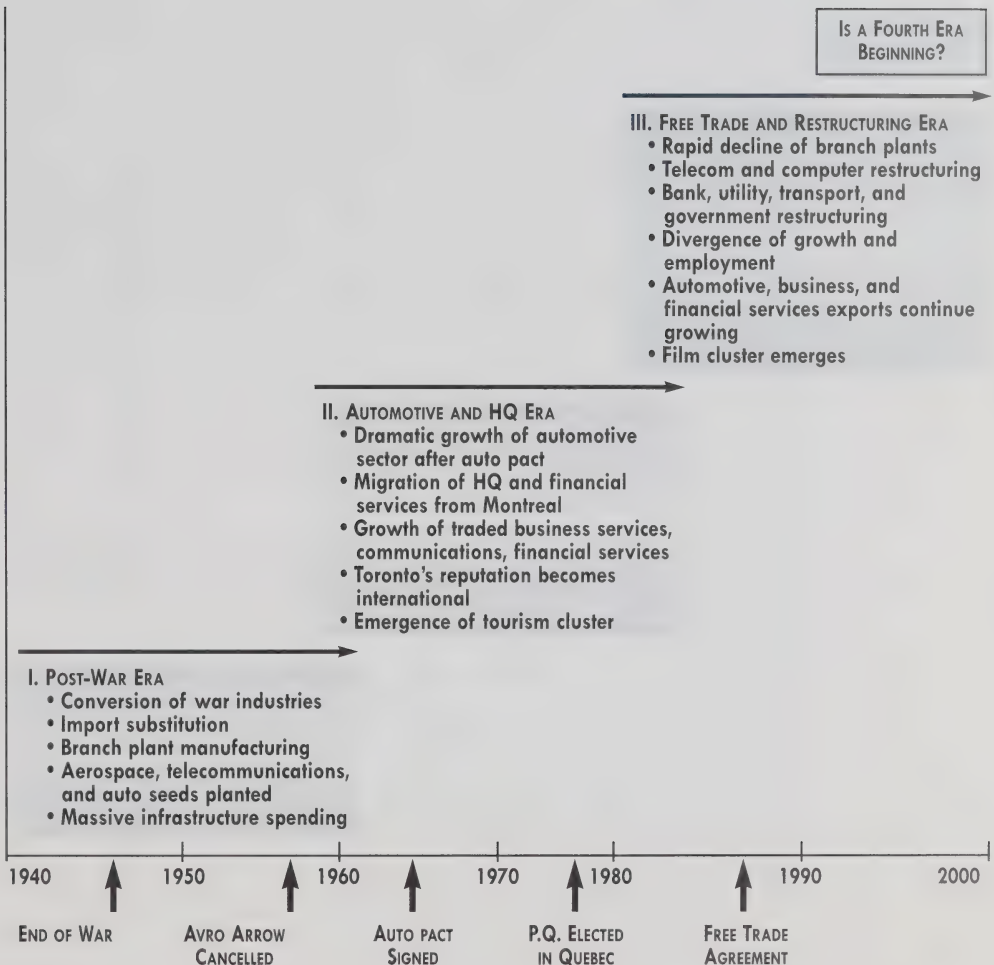
During the *Free Trade and Restructuring Era* branch plants declined rapidly in response to the signing of the Free Trade Agreement in 1988. This resulted in dramatic restructuring in the telecommunications and computer industries, as well as in banking, utility, transportation, and government services. With this restructuring, disparities in incomes, jobs, and growth first became evident. We are still living the legacy of the split that emerged — and has since widened — between rich and poor, good jobs and bad jobs, and high-growth and low-growth industries. But throughout this otherwise troubled economic time, the automotive sector and financial services continued to prosper and a film industry cluster emerged.¹⁴

We are poised to begin a new era — one that cannot be defined until we understand the makeup of the current GTA economy.

¹⁴ This era affected Toronto most profoundly because corporate integration eliminated many head-office jobs, along with the infrastructure that supports head-office functions.

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.6: THE FOUR ERAS OF THE GTA ECONOMY

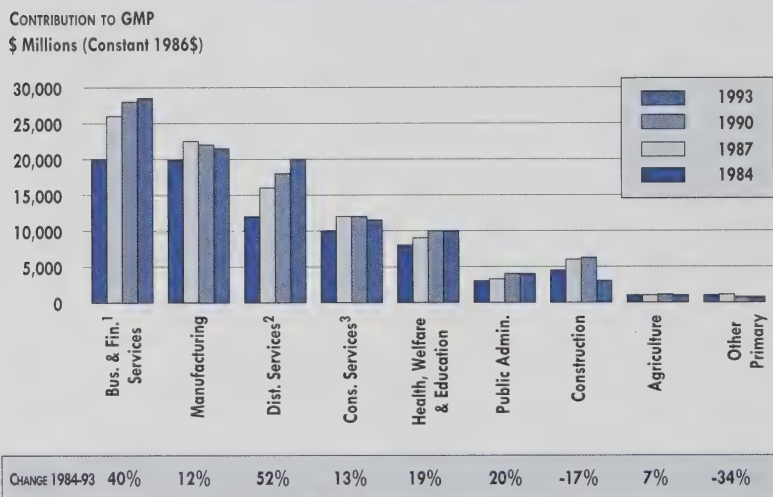


Source: The Boston Consulting Group.

2.4 THE ENGINES OF GROWTH

Greater Toronto has a diverse economy that is dominated by several large sectors. Growth in the region has been led by business and financial services and by *distributive* services, which include telecommunications, broadcasting, rail, freight, water and air transport, warehousing, and pipelines.

EXHIBIT 2.7: OUR DIVERSE ECONOMY



1 Includes FIRE (fire, insurance, real estate), accounting, law, management consulting, ad agencies, public relations firms, etc.

2 Includes telecommunications, broadcasting, rail, freight, water and air transport, and warehousing, pipelines.

3 Includes restaurants, hotels, retail, barbers, etc.

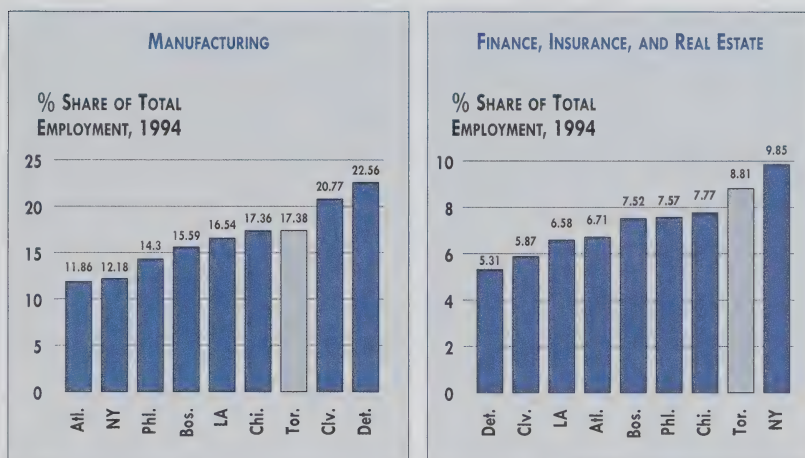
Unlike many other large city-regions in North America, we have a strong balance of manufacturing and financial services employment (see Exhibit 2.8). While most North American city centres tend to be either manufacturing or service economies, both have a strong presence in Greater Toronto. This unique balance adds both diversity and stability to the economy and enhances the region's attractiveness as a business location.

The Traded Economy

Goods and services that are exported, or *traded*, are the drivers of a region's economy. Traded goods and services are those that compete with firms *outside* the region to draw in new wealth or retain existing wealth by producing goods or offering services that can substitute for imports. Examples of traded goods and

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.8: MANUFACTURING AND SERVICE EMPLOYMENT IN NORTH AMERICAN CITIES



Source: The Boston Consulting Group analysis of Statistics Canada, Regional Financial Associates, and Ontario Ministry of Finance data.

services include resource industries, most manufacturing industries, and certain parts of the financial and business service sectors — all of which are sold or traded outside the region.

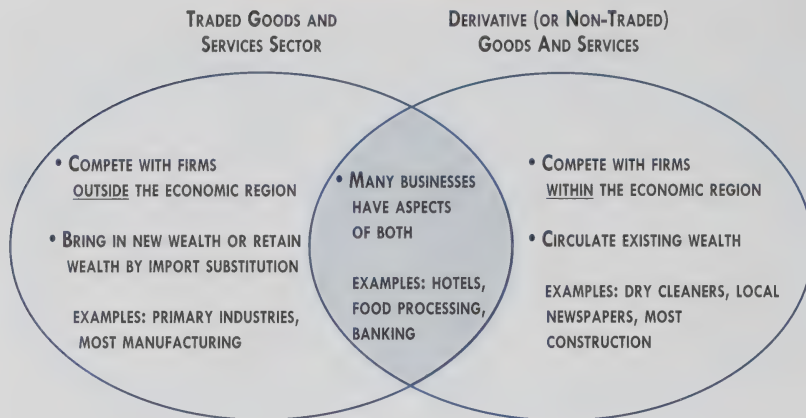
Derivative or non-traded goods and services compete with firms *within* the economic region. They recycle existing wealth, rather than draw new wealth into the area. These are mainly local businesses that compete with other local businesses. Retail, real estate, local newspapers, and most construction are examples of services that are not traded.

Many businesses are hybrids that have traded and non-traded parts. Hotels, food processing, and banking are examples of businesses that compete in local markets and also sell some of their services outside the region (see Exhibit 2.9).

The importance of the traded sector is reflected in the wealth that it creates for the local economy. The traded sectors account for 40 percent of the GTA's Gross Metropolitan Product and 33 percent of employment in the region. Moreover, every \$1 in these sectors generates an additional \$2 of growth in the derivative goods and services.¹⁵ In other words, the success of the traded sectors is critical to the success of the non-traded sectors.

¹⁵ The multiplier effect of traded goods and services was tracked in 30 U.S. cities between 1990 and 1994. Based on The Boston Consulting Group analysis of RFA data and information from Mt. Auburn Associates, an American consulting firm specializing in city economies.

EXHIBIT 2.9: TRADED AND DERIVATIVE SECTORS



Source: The Boston Consulting Group.

The Manufacturing Sector

The GTA's traded sector is dominated by manufacturing industries and a few key business services. Manufacturing accounts for 60 percent of the GTA's traded economy. Finance and insurance combined account for only 11 percent, and other business services account for 8 percent, as Exhibit 2.10 indicates.

The manufacturing sector's dominance of the GTA economy was the result of several fortuitous national policy decisions. The decision to expand steel production in the region, the post-war decision to convert vehicle production back to automotive, and the decision to develop a civilian aircraft program were among the policies that favoured Toronto as the location for manufacturing sectors like automotive and aerospace.

Automotive assembly and parts manufacturing are a key component of the manufacturing sector (see Exhibit 2.11). The signing of the Auto Pact in 1965 gave Toronto its unique advantage in automotive assembly and parts manufacturing. Between 1986 and 1993, the auto cluster grew markedly, far outstripping growth in all other manufacturing in the GTA. Auto sector employment during the same period grew by 8 percent, while all other manufacturing employment fell.¹⁶ Indeed, among North American cities, Greater Toronto is now second only to Detroit in its economic dependency on the automobile sector.

¹⁶ Between 1986 and 1993, the auto industry's annual growth was 11.5 percent, compared to -1.6 percent for all other manufacturing. Auto industry employment annual growth during this period was 8 percent, compared to -1.1 percent for all other manufacturing. Source: Statistics Canada.

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.10: MANUFACTURING DOMINATES THE TRADED ECONOMY

| TRADED INDUSTRY | %TRADED | TRADED VALUE ADDED (\$BILLION) | GROWTH RATE: 87-93 | EMPLOYEES (000s) | VALUE ADDED/ EMPLOYEE (\$000s/EMP) | % OF TRADED ECONOMY |
|--------------------------------------|---------|--------------------------------|--------------------|------------------|------------------------------------|---------------------|
| MANUFACTURING | 87% | \$21.0 | -0.5% | 327 | \$64 | 60% |
| DISTRIBUTION SERVICES ¹ | 36% | \$7.1 | 13% | 239 | \$30 | 17% |
| FINANCE & INSURANCE | 52% | \$4.9 | 10.0% | 47 | \$105 | 11% |
| OTHER BUSINESS SERVICES ² | 51% | \$3.2 | 3.6% | 14 | \$230 | 8% |
| TOURISM ³ | 100% | \$0.7 | 3-5% ⁴ | 26 | \$27 | 2% |
| | | <u>\$36.9</u> | | <u>653</u> | | <u>98%</u> |

1 Communications, air, truck & rail, warehousing, logistics, pipelines.

2 Legal, accounting, advertising, consultants, graphic artists, film production, utilities.

3 Traded component of hotels & restaurants, amusement and recreation, and retail. Additional value also created in transportation that is counted in Distribution Services.

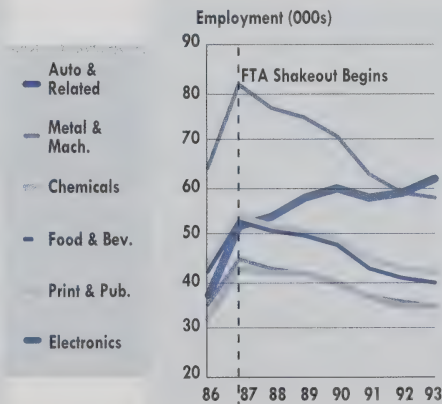
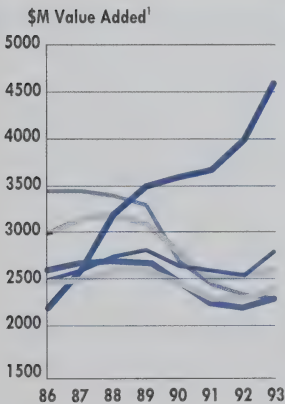
4 Difficult to calculate over time because relative value within hotels and restaurants, amusement and recreation, and retail is likely changing from year to year.

Source: The Boston Consulting Group.

EXHIBIT 2.11: THE IMPORTANCE OF THE AUTOMOTIVE CLUSTER

The GTA's Auto Industries Grew 11.5% Each Year While All Other Manufacturing Fell 1.6%

Auto Industry's Annual Employment Growth Was 8% Between 1986 and 1993 While All Other Manufacturing Fell 1.1%

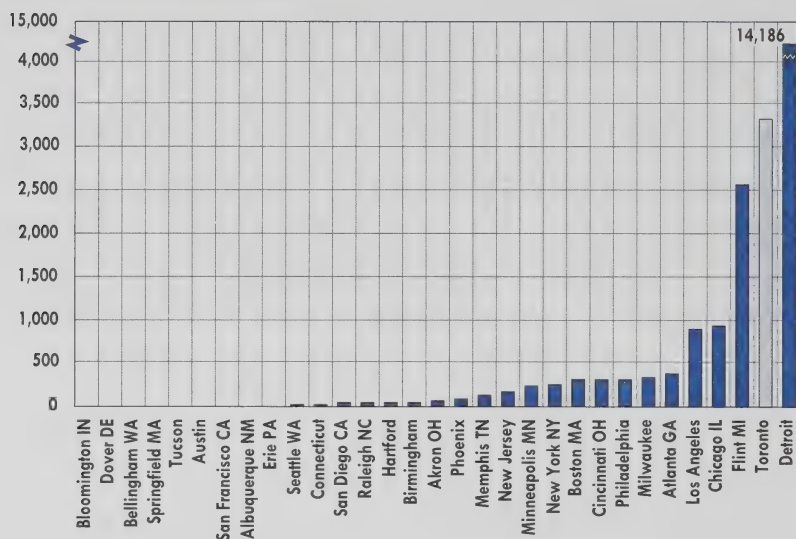


1 Constant 1986 Dollars.

Source: The Boston Consulting Group analysis of Statistics Canada data.

EXHIBIT 2.12: GREATER TORONTO IS A MAJOR AUTO CENTRE
GMP CONTRIBUTION OF AUTOMOBILE AND AUTO PARTS MANUFACTURING (1993)

Auto Sector GMP (1986\$) CDN\$ Millions



Note: \$U.S. converted at \$1.37.

Source: The Boston Consulting Group analysis of RFA data.

The auto sector generates considerable spin-off activity that is important to the local economy. As Exhibit 2.13 illustrates, the auto cluster accounts for considerable manufacturing production in other sectors. Auto manufacturers also make significant purchases from small business. General Motors, Chrysler, and Ford buy from approximately 13,000 Canadian companies, 75 percent of which are small businesses.¹⁷ A wide range of businesses — from auto parts to maintenance to transport to construction to office service firms — benefit from the presence and prosperity of the auto industry. Greater Toronto, in turn, benefits from the economic activity generated by the auto industry and also from the considerable multiplier effects of subsequent rounds of spending.

The Service Sector

The service sector provides a major contribution to Greater Toronto's economy through its head office activity. Head offices are an especially valuable traded service activity because of the jobs they create through services they purchase. The Toronto area has an impressive number of head offices. In fact,

¹⁷ The Boston Consulting Group analysis of estimates for GM and Ford and *Report of the Federal Task Force on the Canadian Motor Vehicle and Automotive Parts Industry*.

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.13: MANUFACTURING ACTIVITY DEPENDENT ON THE AUTO INDUSTRY

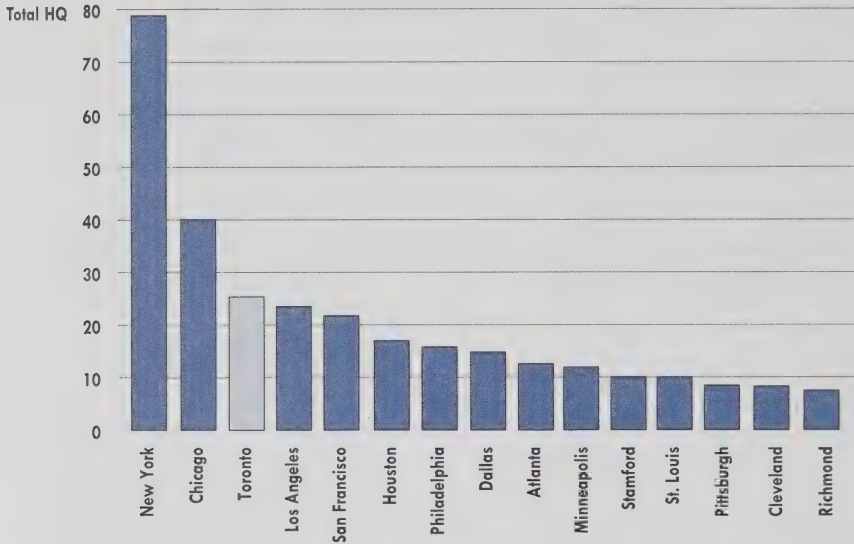
| MANUFACTURING ACTIVITY | PERCENTAGE OF OUTPUT DEPENDENT ON THE AUTOMOTIVE INDUSTRY |
|--|---|
| • FOUNDRIES | 37% |
| • IRON AND STEEL • RUBBER PRODUCTS • BATTERY MANUFACTURERS | 17% |
| • MACHINE SHOPS • ALUMINUM ROLLING • WIRE PRODUCTS • COPPER AND ALLOY ROLLING • METAL CASTING AND EXTRACTING | 13%-15% |
| • METAL STAMPING • GLASS PRODUCTS • METAL FABRICATING (MISC) • PAINT MANUFACTURERS | 8% |
| • RADIO AND TV RECEIVERS • PLASTICS AND SYNTHETIC RESINS • TEXTILE INDUSTRY • PLASTIC FABRICATORS | 3%-6% |

Source: 1983 *Report of the Federal Task Force on the Canadian Motor Vehicle and Automotive Parts Industry* based on input-output studies.

with 564 of North America's largest firms headquartered in Greater Toronto, it is third after New York and Chicago as a head office location (see Exhibit 2.14). It is also worth noting that more than one-third of the *Financial Post* 100 head offices are in the Toronto area.

While Montreal and Toronto were fairly equal as head office locations in the 1960s, the balance shifted in the late 1970s when many head offices relocated to what they considered a more stable business environment in the wake of the election of a P.Q. government in Quebec. Toronto's traded services industries benefited significantly from this migration of head offices to its city centre.

EXHIBIT 2.14: HEAD OFFICE LOCATIONS IN NORTH AMERICA, 1994



Source: The Boston Consulting Group analysis of *Fortune*, *Financial Post*, and *Forbes* data.

2.5 WHAT TRADED SECTORS NEED TO COMPETE

We owe much of our economic well-being to our thriving traded goods and services sectors, our flourishing financial and businesses services, and our attractiveness as a corporate headquarters location. We must support and promote those features that make Greater Toronto an attractive business environment in which these key sectors can continue to generate wealth for the region, the province, and the country.

The Automotive Sector

The costs of doing business, the government environment, and infrastructure affect the future presence and investment level of the auto industry in our region. Industry executives are only two years away from making their major assembly plant decisions for the year 2000. Decisions about facilities investment and revamping or expanding lines will be largely dictated by factors that are within the GTA's power to influence.

Greater Toronto assembly facilities depend on GTA-based parts facilities to provide just-in-time delivery. As one parts manufacturer put it: "Having an additional highway [407] which would avoid the gridlock of the 401 would make the GTA a much more attractive location for parts manufacturers."¹⁸ The president of a motor vehicle manufacturer association confirms that "[t]he big

¹⁸ Interviews conducted by The Boston Consulting Group.

three automakers view good, ready access to the U.S. market and to their dealer networks as vital....Access to suppliers is also important. A good highway and railroad system is a must.”¹⁹

Other considerations that industry executives take into account when they make their investment decisions include:

Economics: “The economics are the most important factor. You have payroll taxes, property taxes, corporate taxes, U.I., workers’ compensation (which is a form of tax), and sales taxes. Add them up and it becomes a significant burden....Many costs are similar in various locations, but tax costs differ considerably and can tilt the balance [in favour of one jurisdiction].”

Labour Costs and Regulations: “The same plant lifted out of [Greater Toronto] and placed in the U.S. would yield many more cars per year because of labour rules. My counterparts in the U.S. call it the ABC plan — Anyplace But Canada.”

Red Tape: “Getting permits here takes a full-time guy working for five weeks holding [the city’s] hand. There is no comparison with cities like Windsor. They are so trouble free, their engineers are right on site, looking after everything. [Greater Toronto] just isn’t hungry; it’s adversarial. With them, it’s like a privilege to build here and we have to impress them. Windsor knows the value of the auto industry.”

The auto industry’s contribution to the GTA economy cannot be taken for granted. One major industry analyst commented:

Auto plants are good for 10 to 12 years, with re-furbishing. Then they need new lines. The big plants around the GTA will all be getting old at the end of this decade, so you have to ask what lines will they put in here? Which lines won’t they? What does that mean for the parts suppliers?²⁰

Communication, air, truck and rail transportation, warehousing, logistics, and pipelines are the fastest growing of the traded industries in the GTA, although they generate low value-added jobs (see Exhibit 2.10). The competitive drivers for these services are similar to those for the manufacturing sector: proximity to markets, economic costs, and infrastructure. As the president of a logistics company put it:

Distributive Services

¹⁹ Interviews by The Boston Consulting Group. Quotations that follow are also drawn from this series of interviews.

²⁰ Denis Desrosiers, Desrosiers Automotive Consultants.

Many of us have been spun out from larger companies who didn't want to handle incoming and outgoing freight in-house. We try to locate nearby. We need good, cheap warehouse space, reasonable labour costs, including all those taxes, and good road access.

An airline executive stated the case for infrastructure improvements more bluntly:

Terminal 1 is a joke. We need modern facilities if we're going to compete to be the North American gateway city of choice.

These comments speak to the need for modern, high quality infrastructure to meet the rising demands of business.

Financial Services and Insurance

These services have grown rapidly and create high-paying jobs in the region. Over the last decade, Toronto has consolidated its position as Canada's leading bank centre. Three of the big five Canadian-based banks have their head offices in Toronto and an additional 46 foreign banks operate in the city.²¹ Toronto is also the country's major centre for life insurance companies. Altogether, there are approximately 180,000 people in the GTA who are employed in the finance, insurance, and real estate sectors. Indeed, Toronto's employment in financial services and real estate is the fourth highest in North America.²²

Interviews with senior banking executives yielded some disturbing insights about trends affecting traded services in the GTA and elsewhere. Increasing consolidation of call centres and back-office functions is prompting major financial services firms to relocate to less expensive sites out of the region. CIBC's move of 1,000 employees to Halifax and Regina, the Royal Bank's relocation of 500 employees to Moncton, and Federal Express' transfer of 900 staff from Mississauga to Moncton are examples of this trend.

Globalization of financial management and computer-telecommunications technology is making it easier for service firms to relocate. The growing use of electronic banking is expected to shut down one-half of all U.S. bank branches and eliminate over 450,000 bank jobs, according to a study cited in the *Wall Street Journal*.²³ As one Canadian banking executive notes, "Telephone and computer banking will grow faster than anyone realized and the next wave of retail branch consolidation will not be far behind."

Costs are often cited as the reason that financial and business service firms are moving or expanding back-room functions outside the GTA. Firms eyeing locations like Halifax, Moncton, and Saint John see these smaller city centres as offering some labour cost and tax relief.

²¹ There are also two domestic Schedule 2 banks.

²² Hazel Duffy, *Competitive Cities: Succeeding in the Global Economy* (London: E&FN Spon, 1995), p. 166.

²³ Deloitte Touche Tohmatis International, "The Future of Retail Banking – A Global Perspective" (New York, September 1995).



Many banks have moved financial, administration, and insurance functions to the GTA's suburbs, where these activities cost less and provide sufficient proximity to the core. Call centres and other technology-based activities have moved farther afield. These are self-contained and decentralized functions that lend themselves readily to relocation in lower-cost locales outside the province.

Nevertheless, proximity to customers and competitors, ability to attract skilled labour, and quality of life are key reasons that corporate banking functions will tend to remain in the GTA core. The concentration of activities in the downtown core is also critical to the success of the financial services cluster. In major financial centres like New York, London, Tokyo, and Toronto, financial districts are concentrated in a few city blocks. The co-location of key financial services around anchor institutions (stock exchange, chartered banks, trust and insurance companies, and pension fund organizations) is important to sustaining their business activities.²⁴ This underlines the need to maintain a high quality, high density downtown office core where there is a critical mass of ancillary services.

Legal, accounting, advertising, consulting, graphic arts, film production, and utilities are among the services that create the highest value-added jobs in the Greater Toronto economy. Firms offering these services view access to human capital and proximity to clients as the key factors in determining where they locate and where they can be successful.

Business Services

For the president of a graphic design firm, "access to creative institutions and the ability to attract workers from abroad" makes Toronto a desirable location. The vice-president of a market research firm notes that "cost is secondary....We may pay more to be in Toronto, but it is integral to the way we do business....Our business requires us to be in a large centre." The vice-president of an international consulting firm sees Toronto's quality of life as "a key selling point...but if there were no headquarters here we would have a hard time justifying placing an office in this city."

Quality of life, clearly one of Toronto's major strengths, supports other business services in the city. In rating Toronto the 7th best business city in the world, *Fortune* (November 14, 1994) observed:

A surprising choice, given its high taxes, squeaky-clean Toronto makes the list by virtue of being one of the most pleasant cities of its size....The climate is cosmopolitan...The city has an excellent education system and workforce. If you're worried about crime, here's a selling point — Toronto is the safest major metro area in North America.

²⁴ The reluctance of financial services firms to relocate to Canary Wharf underlines the importance for many firms of being located in the core.

In confirming Toronto's rating among the top 10 global cities, *Fortune* (November 13, 1995) describes "Canada's hottest city" as a place where "many residents are willing to look beyond prices to enjoy a city that offers fine universities, a national health care system, and a celebrated cultural scene."

Film Production

This is the fastest growing segment within the category of "other business services." Film budgets in the GTA in 1994 totalled \$480 million, a 38 percent increase over 1993. The key to growing Toronto's emerging film cluster is maintaining a critical mass of technical talent at wage rates that are reasonable compared to those of Los Angeles and New York. Film producers also take into account the tax advantages that Toronto offers over U.S. cities.

Tourism

While tourism is a relatively small contributor to wealth in Greater Toronto, it is an important job creator. The North American recession clearly had an impact on tourist spending in the GTA and across Canada. The number of visits by tourists, convention delegates, and business travellers dropped steadily in 1989, 1990, and 1991. But tourism, buoyed in part by a low Canadian dollar, is rebounding from the recession with annual growth of five to six percent. The GTA is seeing a rise in both individual tourist and convention business from the United States. Additional growth in the region's tourist trade can be realized if the necessary infrastructure and quality of life investments are made to ensure that we remain an attractive destination.

The Business of Culture

The impact of the arts and culture sector on the GTA economy should not be underestimated. Toronto is now the third largest live theatre centre in the English speaking world after London and New York, boasting a commercial theatre sector with annual revenues exceeding \$130 million. It also has the third largest number of live music venues in North America.²⁵ Annual cultural tourism revenues are estimated at \$1 billion and arts and culture events draw attendance of 15 million people annually. Some 160,000 GTA residents are currently employed directly or indirectly by the sector, which grew by 11 percent from 1988-92, while jobs in the Toronto economy overall shrank by 9 percent.²⁶

Arts and culture have also played a key role in transforming Toronto into a vibrant and cosmopolitan urban centre with a growing international reputation. Sustaining the critical mass of arts activities and facilities is essential to maintaining our popularity as a cultural and tourism destination.

25 Advisory Committee on a Cultural Industries Sectoral Strategy (ACCISS), *The Business of Culture: A Summary* (Toronto: Queen's Printer for Ontario, 1994), p. 4.

26 Toronto Arts Council, "A Cultural Vision" (Submission to the GTA Task Force, September 1995), p. 2.

UNDERSTANDING THE GREATER TORONTO ECONOMY

While the shape of the *fourth era* is not clear, we can be fairly sure of the following:

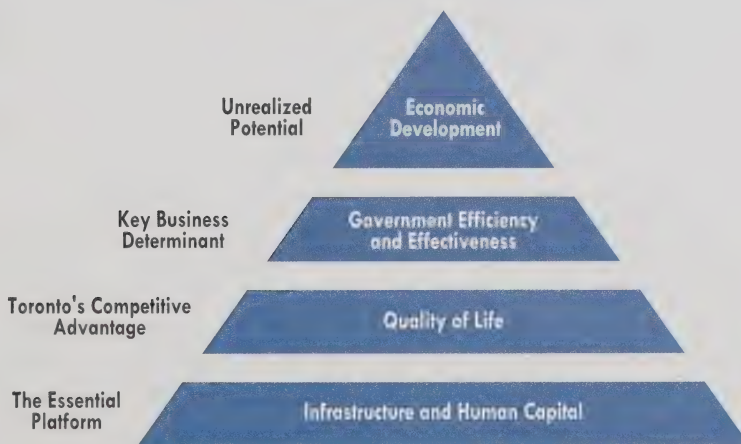
- Traded goods and services will continue to be the engines of economic growth for the region.
- The automotive sector will continue to be a major stimulus to the economy if the GTA is able to retain current assembly capacity.
- Downtown clusters in financial, headquarters and traded business services will continue to show significant growth in GMP, but slower growth in jobs.
- Job growth will increasingly come from the derivative or non-traded sectors that depend heavily on the continued viability of the traded sectors.
- Emerging clusters of economic activity will occur spontaneously and will be hard to predict.
- Some industries, like film production and tourism, will be “wild cards” that can probably grow significantly if the right economic conditions prevail.

2.6 GROWING THE GTA ECONOMY

Achieving economic growth in Greater Toronto will depend on putting the right policies in place to stimulate investment and create jobs. As Exhibit 2.15 illustrates, the essential building blocks for growth include *physical and human infrastructure, a high quality of life, efficient and effective government*, and a *coordinated approach to economic development*, one that will enable the region to attract, retain, and promote globally-competitive businesses.

The Essential Building Blocks

EXHIBIT 2.15: THE BUILDING BLOCKS OF ECONOMIC GROWTH



Source: The Boston Consulting Group.

Although provincial and local governments can help create a competitive environment for business, there are decided limits to their ability to leverage local growth in the economy. It is beyond the region's power to affect general economic trends or the global rationalization of firms. The region also has little control over areas that are regulated and taxed by other levels of government.

There are, however, many decisions and policies that are within our ability to control or influence. There are several ways we can lever economic growth:

- *investing in infrastructure*, including airport upgrades, transit facilities, arterial road construction, and telecommunications;
- *investing in human capital* necessary to support knowledge-intensive traded goods and service sectors;
- *sustaining our quality of life*, in all its dimensions, as this is critical to supporting business and financial services, as well as tourism;
- *attracting and retaining investment effectively* with policies that target growth sectors; and
- *organizing economic development for competitiveness* by co-ordinating regional and local efforts.

Investing in Infrastructure

Greater Toronto and the Province have significant roles to play in providing the necessary infrastructure for business and industries to compete effectively. Road infrastructure must be upgraded to allow key transportation-dependent clusters to compete on time as well as on cost and quality. Just-in-time automotive shipments must cross the GTA in under one and a half hours and distribution services must have ready access to truck lanes. It is therefore essential that Highway 407 be completed before 1997 to ensure that manufacturers, particularly those in the automotive assembly and parts sectors, have the necessary infrastructure in place to remain competitive.

Because Greater Toronto locations are well-situated to serve both Ontario and the north-eastern United States, many manufacturers in the region rely on a modern and accessible highway system to ensure timely product delivery to destinations outside the area. Infrastructure improvements are equally critical to these businesses, as they enable GTA-based transportation and product distribution services to remain competitive with those in other North American locations.

Airport infrastructure has not kept pace with growth and is failing to meet the needs of business travellers, not to mention tourists and residents. Pearson International Airport presently handles more than 21 million passengers annually and over half of Canada's daily international and transborder flights. A fourth runway is now under construction and the airport's draft Master Plan proposes two additional east-west runways with new and expanded terminal facilities that will ultimately accommodate 50 million passengers annually. Pearson generates almost

UNDERSTANDING THE GREATER TORONTO ECONOMY

\$4 billion in business revenues, including \$475 million in tourism each year.

While the new \$200 million north-south runway for Pearson planned for at least 10 years is now proceeding, essential terminal upgrading and expansion is stalled pending agreements to establish the local Greater Toronto Airport Authority, leaving Terminal 1 in serious disrepair. Airport infrastructure must be significantly upgraded and expanded to support key manufacturing and service industry needs in the GTA.²⁷

It is also important that our *telecommunications infrastructure* remain a sophisticated, readily available, and cost-competitive support service to financial, business, and manufacturing sectors. We must be alert to opportunities for promoting this vital area of infrastructure. We should begin by integrating our commercial network facilities and adding a dedicated multi-media network to bring the GTA into the forefront of the information technology revolution.

Continuous improvement of regional fixed rail and mass transit is necessary to provide effective service to both businesses and residents region-wide. The compactness of the downtown core, the quality of its buildings, and the amenities supporting its success are a rare combination of assets that sets us apart from other business centres in the world. These factors are essential to preserve head office functions and to support critical business services.

A well-educated and trained workforce is a key determinant of economic competitiveness. The survival and growth of many businesses and industries in the region depend on an available supply of knowledge workers — people who have good education, a solid skills base, and an ability to learn new skills. As well as attracting firms to city-regions, brainpower is also a source of indigenous economic growth. There is a need to maintain a high-quality publicly funded school system across the GTA and to find ways of helping young people move with confidence and competence from one context to another in the workforce.

Global businesses are choosing to locate or expand in areas where educational standards are high and technical and language skills are sophisticated. Recent U.S. studies indicate that the principal factor for corporate location decisions is the competence of the local workforce and the availability of skills training that is low-cost, customized, and technical. The August 1995 *Report on Business Magazine* placed workforce quality at the top of its checklist for an ideal business location.²⁸ Skills now outweigh costs as the principal attraction for many companies that are looking for workers with analytical powers, the capacity to adapt and thrive in the face of new competition, the ability to be innovative in providing services, and the skills and knowledge to tackle new problems as well as develop new solutions.

**Building
Our Human
Capital**

*Ensuring High
Quality
Education*

²⁷ The processing of immigration and customs formalities presents an unnecessary impediment to passenger flows.

²⁸ Ann Walmsley, "Smart Cities," *Report on Business Magazine* (August 1995), pp. 44-73.



According to the 1995 *Report on Business* survey, "many CEOs who want their companies to grow, begin to feel anxious if there isn't a research-based university within 15 kilometres." Much of the GTA's strength lies in the fact that it has an exceptional post-secondary educational network, both at the university and college level.²⁹ The Metropolitan Toronto area now ranks favourably with other educationally advanced jurisdictions in North America.³⁰ Only the most knowledge-intensive regions in North America, such as Massachusetts and California, rank ahead of Ontario in their levels of educational attainment.

Steady provincial and federal spending on post-secondary education in the 1970s and 1980s has created a strong and vibrant network of educational institutions across the Greater Toronto Area, which in turn helped to produce a highly qualified workforce. In 1991, more than 46 percent of the employed labour force in the GTA had some post-secondary education. This compares to the 33 percent of the GTA's employed labour force that was similarly educated some 20 years earlier.³¹

If the GTA is to maintain this competitive workforce advantage, the Province must continue its commitment to elementary, secondary, and higher education. Ontario's future depends on a world-renowned tradition of excellence in education and research. Resources devoted to education pay enormous dividends that enrich the health and prosperity of the region, the province, and the entire nation.

Ensuring High Quality Health Care

Quality health care also provides an important competitive advantage for Greater Toronto and is a major selling feature for businesses considering relocation from the United States. Not only do companies pay relatively less per employee for health care in the GTA than they would in other jurisdictions, but their employees receive some of the best health care services in the world.³²

29 At the university level is the University of Toronto, Canada's pre-eminent research university; York University, one of Canada's largest universities with research and teaching strengths in many areas; and Ryerson Polytechnic University, Canada's only polytechnic university with strengths in applied research and training in many professions. At the college level is Seneca College, the largest college in Ontario with an excellent program in international business; George Brown College, known internationally for its School of Hospitality; Sheridan College, with its acclaimed program in film animation; Centennial College, known for The School of Transportation and The Bell Centre for Creative Communications; Durham College, known for outstanding robotics and computer programs and Humber College, with its unique post-diploma program for college and university graduates. Also noteworthy is Ontario College of Art, Canada's largest and most famous art design college.

30 Municipality of Metropolitan Toronto, Metro Economic Development Division Research Group, "EconoMetro: 1993 Year End Review" (January 1994).

31 Profile of Census Divisions and Subdivisions in Ontario Part B, 1991 Census; Population and Housing Characteristics in Toronto, 1971 Census, Statistics Canada.

32 Peter Maurice, "Health Care: A Competitive Weapon," *Business Quarterly* (vol. 56, Spring 1992), pp. 118-123. The GTA houses one of the largest and strongest academic health science centres in North America.

Quality of life is a significant factor in business location decisions. With economic activity and growth hinging more on human capital and less on physical resources, quality of life issues are taking on greater significance. The Toronto city-region consistently rates in the top 10 in comparative rankings of international centres.³³ Those services, assets, and intangibles that constitute our quality of life play an important role in these rankings and give us a significant competitive advantage internationally.³⁴

**Sustaining
Our Quality
of Life**

The vitality, attractiveness, and safety of the downtown core are key to our capacity to draw businesses to the region and to retain them. Assessments of Toronto in various international comparisons emphasize that Toronto is the safest large metropolitan area in North America, that it is one of the most cosmopolitan and multicultural urban populations in the world, that it offers an efficient and affordable public transit system, and is a leading cultural and entertainment centre.

Despite our historical sense of well-being in the region, there is a growing public perception that our quality of life may be deteriorating. Recent polling shows that, while GTA residents express satisfaction overall with their own quality of life — particularly at the neighbourhood level — they are increasingly anxious about the future. The anemic state of the economy, the lack of jobs, and the perception that crime is increasing head the list of concerns.³⁵ To stave off both the perception and the real possibility of a declining quality of life, we must preserve our high standards of education, public safety, health care, social services, culture, and environmental safety.

City-regions have a spectrum of tools to assist their growth, ranging from the broad (general infrastructure, promotion) to the very specific (customized training, procurement programs, job creation incentives). It is important for the GTA to focus on growth opportunities that offer the highest leverage. This means focusing on traded goods and services which drive the economic well-being of the city-region. It also means focusing more on *existing* businesses than *new* businesses, and on businesses that are part of strategic clusters rather than those that operate on a more isolated basis.

**Attracting and
Retaining
Investment**

As explained earlier, our greatest sources of strength — in terms of jobs and GMP growth — are in manufacturing (particularly the auto cluster), distributive services, and business and financial services, including head offices.

**Focusing on
Strengths**

33 See Greater Toronto Co-ordinating Committee Quality of Life Steering Committee, "Comparative Advantage: An Envidable Quality of Life, Executive Summary of the Report on the Quality of Life in the Greater Toronto Area" (September 1995), p. 7.

34 This was confirmed in our discussions with U.S.-based international business location firms.

35 Environics Research Group Limited, "Report on Quality of Life in the GTA, Phase Two – Attitudinal Study" (Prepared for the Greater Toronto Coordinating Committee, August 1995).

It is far simpler — and less costly — to retain existing businesses in these areas of strength than it is to replace them with new businesses that offer uncertain return. Emerging industries, like film production and tourism, are unlikely to become large enough in the near future to replace the existing clusters as areas of economic focus. Nor are many of the new and exciting industries cited as potential clusters (biotechnology and software, for example) able to create high-valued added jobs in the numbers and at the skill levels to absorb the available workforce.

The city-region's strength resides in significant clusters of firms providing key production inputs to other manufacturers in the province and abroad. Automotive parts, aerospace, advanced industrial automation, and tool, die and mould-making are all crucial sectors. The region is also home to the country's most significant concentration of producer services, including scientific and technical services, engineering, design, testing, legal, general management consulting, and finance. The GTA thus constitutes "a reservoir of crucial economic activities which must be prized and nurtured."³⁶

Even though the wealth and growth of the economy is driven by the traded sectors, made up of many large multinationals, the sub-components of their businesses are often small and local. Opportunities for local businesses are increasing as larger multinationals seek to control costs and out-source aspects of their production that were previously centralized internally. The quality of the intellectual capital found in these thousands of local firms gives internationally traded products and services their unique high value-added qualities and their competitive advantage. Fostering the growth of these smaller firms and supplying their need for a specialized and well-educated work force — trained in the region — can add to our considerable strength in the traded sectors.

Offering Incentives

Greater Toronto is restricted in the incentives it can offer to attract new investment. The competition in Atlanta, Boston, Chicago, New York City, and Richmond have far greater latitude in offering attractive incentives to businesses considering relocation. Unlike many of these U.S. city-regions, the GTA is not able to offer direct financial aid in the form of job creation tax credits, capital investment tax credits, electric power rate discounts, or company-specific training grants to businesses shopping for a new location. As one senior executive put it, "Look at your competition. It's global, not local. If the GTA wants to play in the big leagues, it has to match what they do to make investment attractive."³⁷

³⁶ Meric S. Gertler, "Submission to the GTA Task Force" (May 18, 1995), pp. 2-3; See also Meric S. Gertler, *Toronto: The State of the Regional Economy* (Toronto: Minister of Supply and Services Canada, 1990).

³⁷ Interviews conducted by The Boston Consulting Group.

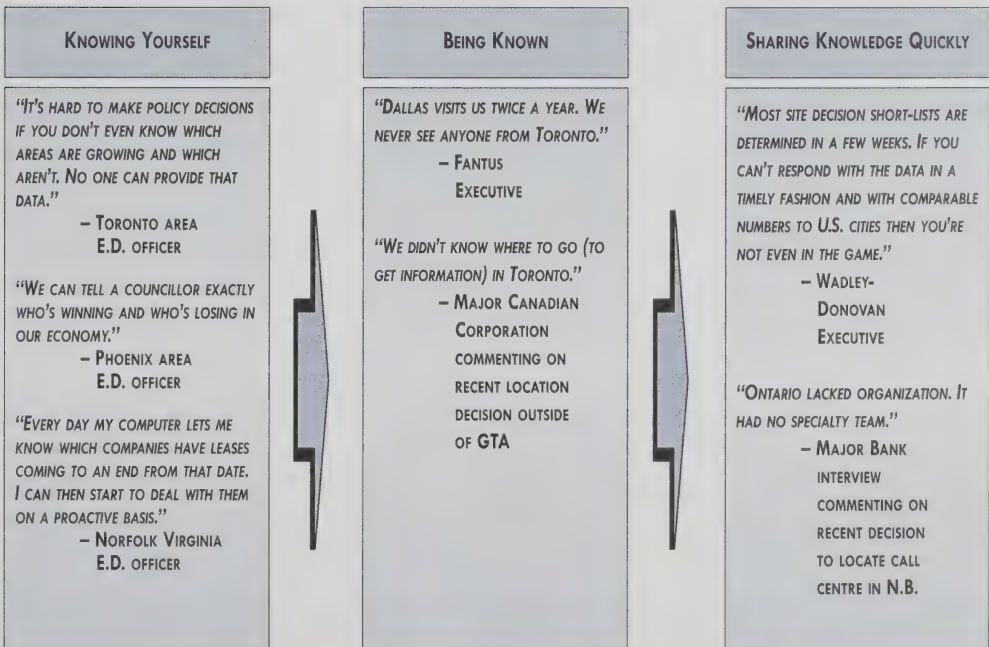
UNDERSTANDING THE GREATER TORONTO ECONOMY

Although incentives are not the only factor swaying location decisions, they do help put cities and provinces “in the game.” They can also pose problems in terms of how to “compensate” a local competitor if a new auto parts factory, for instance, is given incentives to invest in the region. There is the additional risk that, if the economies are not there to support a new business, incentives offered on a once-only basis may become a form of permanent subsidy. Nevertheless, the Province can and, in some cases, *should* use incentives to promote vital investment in the automotive industry and in other key manufacturing sectors that bolster the provincial economy.

The ability to gather useful data and share it effectively is another key to attracting and retaining business successfully. What we lack in the GTA is the ability to collect and disseminate statistical and other information on a city-region basis. The Province and Statistics Canada rarely, if ever, collect data on the GTA, even though it is the acknowledged economic powerhouse of Ontario and Canada. What little data is collected on the GTA is not readily accessible.

Gathering and Using Knowledge

EXHIBIT 2.16: KNOWLEDGE IS POWER



Source: Interviews.

Information technology can play a vital role in the acquisition and sharing of knowledge. Greater Toronto needs an integrated multi-media facility linking its prime educational institutions, research facilities, and industry effectively. A number of excellent initiatives (ONET and OCRI Net, for example) have been started, but there is little apparent coordination among these various network projects. A province-wide network should be developed to link local, national, and international networks and to coordinate the information-gathering and dissemination functions that are essential to building a competitive knowledge base.

Business Taxes and Other Costs

Business location and retention decisions also hinge on taxation and regulatory policies that are within a regional government's ability to control. Business location decisions ultimately depend on business costs, which include labour, taxes, energy, and transportation.

Ontario and Canada are often viewed as "high-cost" jurisdictions, primarily because of the taxes they levy to pay for public services. But this perception is not supported by fact. A recent study by KPMG concluded that most Canadian locations have a significant cost advantage over U.S. locations.³⁸ Other studies by KPMG and Price Waterhouse have concluded that Ontario's total corporate tax burden, including business property taxes, is competitive with that of other Canadian and U.S. jurisdictions.³⁹

Nonetheless, the GTA can improve its efficiency and reduce the costs it imposes on business. Chapters 4, 5 and 6 of this report will recommend regulatory and governance changes that will result in better, more efficient decision-making, along with reductions in the size of government.

In addition to reducing the level of property taxes, the government must address the inequities in the property tax system to level the playing field for businesses in the GTA. The property tax system in the GTA is placing an unfair burden on many businesses in the city-region. Until these inequities are reduced or eliminated, the economic health of the entire region will suffer. This problem is discussed fully in the chapter that follows.

Coordinating Economic Development

The current approach to economic development in the region is fragmented and often unproductive. Multiple layers and departments of government are currently carrying out economic development activities within the GTA. Federal, provincial, and municipal governments are tripping over one another in their

38 KPMG, "A Comparison of Business Costs in Canada and the United States" (Prepared for the USA Trade and Investment Division, Department of Foreign Affairs and International Trade, Ottawa, 1995), p. 3.

39 See KPMG, "Analysis of New York's Business Tax Competitiveness," *State Tax Notes*; Price Waterhouse and Quebec Ministry of Finance, "Corporate Taxation in Quebec: A Competitive System" (1994).



separate efforts to boost economic competitiveness. Often, governments end up competing against one another rather than enhancing the competitive positions of the businesses they are trying to assist.

Research prepared for the Task Force showed that there are approximately 700 official provincial government programs directly related to economic development operating concurrently in the GTA. The Ministry of Economic Development, Trade and Tourism is the largest program provider, with more than 1000 employees devoted to economic development activities that affect the region, directly and indirectly.⁴⁰

The Province's role in delivering economic development that bears on the GTA is considerably larger than that of the federal government and larger than all of the efforts of regional and local municipalities combined.⁴¹ While regional and municipal governments spend a total of \$17 million, the Province's various ministries involved in economic development spent, until recently, over \$600 million annually. Exhibit 2.17 indicates that Provincial economic development efforts touching the GTA are widely dispersed.

At the municipal level, the GTA's profile is diminished by fragmented intra-regional economic development. Of the 30 local municipalities in the GTA, 25 have economic development budgets that cover a full spectrum of activities — everything from small business incubators to full-blown international marketing campaigns. By trying to be “jacks of all trades,” municipalities are spreading their economic development efforts too thin and achieving marginal results. The lack of coordination in business attraction results in subscale operations that provide little opportunity to develop specialized marketing expertise.

Local offices, however, play a valuable role in retaining and servicing businesses in their areas. Because local economic development staff are close to the client, they are very well-positioned to collect company data and sectoral information for analysis at the regional level. They are also able to pay regular visits to companies and provide attentive service to local business needs.

Economic development pursued at various levels and in various ways also works against regional interests by undermining our ability to speak with a single, identifiable voice for the GTA. Business attraction and promotion are best pursued at a broader regional level where our common economic development interests can best be served. Retention efforts, on the other hand, should be left to municipalities, which are well-positioned to serve local business needs effectively. Clearly, a more focused and effective approach to economic development is needed.

40 The addition of Tourism to the Ministry of Economic Development and Trade in mid-1995 boosted the number of ministry staff devoted to economic development activities that affect the GTA.

41 See Ian Brown, “Report to the GTA Task Force on Economic Development Activities of the Provincial and Federal Government” (Background report prepared for the GTA Task Force, September 1995).

UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.17: PROVINCE'S FRAGMENTED ECONOMIC DEVELOPMENT PROFILE



Source: 1995 Provincial Government Estimates, GTA Task Force analysis.

Framework for a GTA Economic Strategy

The fourth era presents a new challenge for the Greater Toronto region. The GTA's infrastructure, governments systems, and political processes were created during the first three post-war eras when many external factors favoured our region. As we enter the fourth era, Greater Toronto's success will depend on making it *the location of choice for companies and workers who can locate anywhere*.

Our current advantages give us a head start in the competitive race, but we cannot expect external factors which benefited us before to be as positive for us in the future. Moreover, the economic preoccupations of the past, such as one GTA municipality competing with another to recruit business already resident in



UNDERSTANDING THE GREATER TORONTO ECONOMY

EXHIBIT 2.18: GREATER TORONTO'S FRAGMENTED ECONOMIC DEVELOPMENT PROFILE

| GTA | | | | |
|---------------------------------|-------------------------------|--------------------------------------|-------------------------------|---------------------------------|
| REGIONAL MUNICIPALITY OF HALTON | REGIONAL MUNICIPALITY OF PEEL | MUNICIPALITY OF METROPOLITAN TORONTO | REGIONAL MUNICIPALITY OF YORK | REGIONAL MUNICIPALITY OF DURHAM |
| REGION – \$370K 4 FTEs | \$0 0 FTEs | \$1,873K 20 FTEs | \$225K .5 FTEs | \$627K 6 FTEs |
| HALTON HILLS (0) | CALEDON (1) | TORONTO (36) | GEORGINA (0) | BROCK (0) |
| MILTON (1) | BRAMPTON (7) | SCARBOROUGH (17) | E. GWILLIMBURY (0) | UXBRIDGE (0) |
| BURLINGTON (2) | MISSISSAUGA (11) | NORTH YORK (7) | NEWMARKET (0) | SCUGOG (0) |
| OAKVILLE (3) | | ETOBICOKE (4) | AURORA (0) | PICKERING (2) |
| | | YORK (1) | KING (0) | AJAX (5) |
| | | EAST YORK (3) | VAUGHAN (7) | WHITBY (3) |
| | | | RICHMOND HILL (4) | OSHAWA (3) |
| | | | MARKHAM (6) | CLARINGTON (3) |
| | | | WHIT. STOUFFVILLE (0) | |
| LOCAL – \$569K 6 FTEs | \$2,273K 19 FTEs | \$7,566K 68 FTEs | \$1,936K 17 FTEs | \$1,547K 16 FTEs |
| \$17 M 156.5 FTEs | | | | |

Note 1: FTE = Full-time Equivalent.

Source: GTA Task Force Economic Development Questionnaire.



the region, will be a serious distraction from the true challenge we face.

Greater Toronto is in competition with other city-regions; unless we work together, harnessing the combined energies of the private and public sectors, we risk losing the enviable competitive position we have so recently gained.

To succeed in the coming fourth era, we must develop an economic strategy that builds on our strengths and capitalizes on new opportunities. This strategy must be guided by a clear sense of priorities that includes the following ground rules:

1. Recognize that traded goods and services drive the economic well-being of the GTA and should be the focus of economic policy.
2. Invest in the infrastructure and human capital necessary to support knowledge-intensive traded goods and service sectors.
3. Maintain Toronto's quality of life in all its dimensions, because this is critical to supporting headquarters activity, business and financial services, tourism, and many new knowledge-intensive businesses.
4. Retain the strong automotive and auto-related manufacturing base.
5. Maintain an attractive, dense, and high quality downtown core in Toronto that is clearly differentiated in its urban success from that of U.S. cities.
6. Reorganize and focus business recruitment and retention efforts on the clusters of economic activity we already have in the GTA, including headquarters activity — using a public/private partnership model.

Recommendation 1

A Greater Toronto economic strategy should be developed to build on this city-region's unique strengths by:

- investing in the physical and social infrastructure necessary to support key traded goods and service sectors;
- maintaining Greater Toronto's quality of life in all its dimensions and supporting an attractive, compact, and high-quality downtown core; and
- reorganizing and focusing business recruitment and retention efforts on the clusters of economic activity we already have in Greater Toronto, using a public-private partnership model.⁴²

⁴² Recommendation 40 describes this partnership in more detail.

UNDERSTANDING THE GREATER TORONTO ECONOMY

Greater Toronto has many challenges before it. This chapter has addressed the economic issues. The following chapters of this report explore the tax inequities, infrastructure concerns, service delivery problems, and fragmentation issues that undermine the city-region's economic competitiveness.



REFORMING THE PROPERTY TAX

"...there are few taxes that have aroused more interest, even passion, in the hearts of Canadians, especially those who own their own homes."

Richard Bird and Enid Slack¹

3.1 DEFINING THE PROBLEMS

The property tax has been a longstanding problem. Inequities in the assessment system have been identified in a variety of provincial and local government reports over the last 30 years. As early as 1967, the Ontario Committee on Taxation (the Smith Committee) recognized the system's shortcomings and recommended the implementation of province-wide market value assessment. Subsequent reports by the Commission on the Reform of Property Taxation in Ontario (the Blair Commission) in 1977, the Royal Commission on Metropolitan Toronto (the Robarts Commission) in 1977, and the Ontario Fair Tax Commission in 1993 also criticized the patchwork of assessments throughout the province and made recommendations for reform.

Although most municipalities in Ontario have applied to the Province for at least some assessment reform, the system in Metro Toronto remains unchanged, largely because of taxpayer resistance. Any change in the tax system would, of course, result in some taxpayers gaining, others losing. The prospect of higher property taxes for some has prompted the vociferous defence of the status quo and thwarted all reform efforts.

Having managed to finance local government and education all these years with an outdated and inequitable assessment system, we may well ask why reform seems possible now. Reform is inescapable for several reasons. Businesses are leaving Metro because of high property taxes and people are worried about losing their jobs. The deluge of successful assessment appeals has reduced the assessment base, leaving municipalities and school boards unable to maintain services without raising tax rates. The problems in the assessment system will only be magnified as tax rates are increased to compensate for the reduced base. Unprecedented provincial funding cutbacks are exacerbating these problems, as well as precluding opportunities to reduce reliance on the property tax as a source of revenue.

¹ Richard Bird and Enid Slack, *Urban Public Finance in Canada* (Toronto: John Wiley & Sons, 1993), p. 79.

The Role of the Property Tax

The property tax is the primary source of revenue for most municipalities and school boards in the GTA. In 1993, GTA municipalities (upper and lower-tiers combined) raised almost \$3.4 billion in property taxes for municipal purposes. Exhibit 3.1, which shows the distribution of revenues by source for all GTA municipalities, identifies the property tax as the single most important source of revenue for all municipal governments in the GTA. The property tax accounted for 39.8 percent of revenues in Metro Toronto and for 50.2 percent in the Region of Halton.

EXHIBIT 3.1: SOURCES OF REVENUES OF MUNICIPAL GOVERNMENTS IN THE GTA, 1994

%

| Source | Metro Toronto | Durham | Halton | Peel | York |
|----------------|---------------|--------|--------|-------|-------|
| Property Taxes | 39.8 | 42.9 | 50.2 | 47.7 | 42.7 |
| Water/Sewer | 6.3 | 10.5 | 12.1 | 11.2 | 11.9 |
| User Fees | 14.6 | 11.0 | 9.7 | 10.8 | 11.1 |
| Grants | 31.5 | 29.0 | 20.1 | 23.2 | 22.6 |
| Other | 7.8 | 6.6 | 7.9 | 7.1 | 11.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Upper and lower-tiers are combined.

Source: Financial data for 1994 provided by Ontario Ministry of Municipal Affairs and Housing.

The sources of revenue for school boards are property taxes and provincial grants. GTA school boards raised over \$4.2 billion, or about 80 percent, of their total revenues in property taxes in 1994. In Metro Toronto, however, virtually all education expenditures have been funded by property tax revenues.

In the context of federal and provincial cutbacks and the provincial government's commitment to income tax reduction, less reliance on the property tax in the near future is unlikely. The Task Force assumes that the property tax will continue to play an important role in municipal and education finance. As we explain in Chapter 5, however, the Task Force does not support the use of property tax revenues for welfare funding.

The Immediate Problems

The two issues that have made property tax reform imperative are the increase in assessment appeals and the inequities in property taxes paid by businesses in Metro relative to those in the outer GTA.

Assessment Appeals

The number of assessment appeals, particularly in Metro Toronto, has increased dramatically over the past five years. This has given rise to a number of problems that are captured in recent statements on the subject:

All we've got for public education in Toronto is our assessment base. It's disappearing faster than the turbot stocks....The Province has just got to do something [about the property tax assessment system]. The longer they leave it, the worse it gets.

David Moll, Chair, Toronto Board of Education, *Toronto Star*, May 1995

... taxpayers are paying one set of Ontario bureaucrats and their lawyers to perform property tax assessments on Ontario government buildings. They're paying a second set of Ontario bureaucrats and their lawyers to appeal those assessments. Then they're paying a third set of bureaucrats, working for school boards and municipalities, to support their assessors.

John Spears, *Toronto Star*, May 9, 1995

Exhibit 3.2 highlights Metro's ongoing appeals problem, particularly the increase from 1992 to 1994. In the City of Toronto, more than 40 percent of the assessment base is under appeal in any given year.

The highest increases in appeals in recent years have been in Scarborough and North York. Although Metro's appeal problem is more extreme than in other GTA regions, the problem is growing outside Metro as the base becomes more outdated everywhere. Roughly 30 percent of Halton/Peel's combined base was under appeal in 1995; corresponding figures were 13 percent for York and 12.2 percent for Durham.

The assessment appeal problem has resulted in enormous assessment reductions on single properties. The Toronto-Dominion Centre in downtown Toronto recently made headlines when it won an assessment ruling that will likely result in a property tax refund of about \$10 million. An appeal by Skydome has resulted in a settlement that will reduce its taxes by \$1.67 million per year and cost local governments \$8.35 million in tax refunds from past years.

Partly in response to the wave of assessment appeals, provincial assessors and the Assessment Review Board (ARB) have adjusted assessments upward on selected individual properties and groups of properties. They have imposed these adjustments either because they perceive an inequity, or because the ARB has directed them to revalue particular properties. These piecemeal adjustments can result in unexpected and substantial tax increases. Recent adjustments to property assessments on King Street West in the City of Toronto surprised some business owners with tax increases of 400 percent. Similarly, adjustments to the assessment of mall taxes in 1993 resulted in staggering increases of more than 600 percent for some small retailers in Metro Toronto malls.

REFORMING THE PROPERTY TAX

EXHIBIT 3.2: ASSESSMENT APPEAL ACTIVITY IN METRO TORONTO, 1989-1994

| | NO. OF APPEALS FILED | % OF BASE UNDER APPEAL | ESTIMATED LOSS IN ASSESSMENT(\$M) | LOSS AS % OF BASE* |
|--------------------|-------------------------|---------------------------|--------------------------------------|-----------------------|
| TORONTO | | | | |
| 1994 | 20,907 | 39.8 | 29.0 | 0.8 |
| 1993 | 26,792 | 36.6 | 29.0 | 0.8 |
| 1992 | 24,552 | 43.3 | 27.4 | 0.7 |
| 1991 | 18,542 | 42.1 | 16.6 | 0.4 |
| 1990 | 13,907 | 43.4 | 25.7 | 0.7 |
| 1989 | 14,892 | 42.1 | 25.1 | 0.7 |
| NORTH YORK | | | | |
| 1994 | 25,736 | 43.9 | 39.0 | 2.0 |
| 1993 | 24,023 | 38.5 | 26.3 | 1.0 |
| 1992 | 10,129 | 26.1 | 6.0 | 0.2 |
| 1991 | 7,467 | 20.8 | 3.5 | 0.1 |
| 1990 | 12,131 | 22.4 | 3.8 | 0.1 |
| 1989 | 6,127 | 17.4 | 1.3 | 0.1 |
| SCARBOROUGH | | | | |
| 1994 | 19,636 | 28.4 | 18.5 | 1.2 |
| 1993 | 36,748 | 37.6 | 21.8 | 1.2 |
| 1992 | 7,062 | 26.5 | 9.3 | 0.5 |
| 1991 | 5,733 | 23.2 | 6.1 | 0.4 |
| 1990 | 5,407 | 22.3 | 5.7 | 0.3 |
| 1989 | 4,821 | 20.2 | 5.0 | 0.3 |
| EAST YORK | | | | |
| 1994 | 1,420 | 31.8 | 1.2 | 0.4 |
| 1993 | 1,501 | 26.7 | 2.8 | 0.9 |
| 1992 | 772 | 25.5 | 1.3 | 0.4 |
| 1991 | 319 | 20.1 | 0.4 | 0.2 |
| 1990 | 307 | 19.3 | 0.4 | 0.1 |
| 1989 | 301 | 19.0 | 0.4 | 0.1 |
| YORK | | | | |
| 1994 | 1,950 | 22.2 | 3.8 | 1.0 |
| 1993 | 1,733 | 25.8 | 0.2 | 0.0 |
| 1992 | 850 | 12.7 | 1.1 | 0.3 |
| 1991 | 680 | 9.9 | 0.8 | 0.2 |
| 1990 | 417 | 6.2 | 0.4 | 0.1 |
| 1989 | 732 | 10.9 | 1.0 | 0.3 |
| ETOBICOKE | | | | |
| 1994 | 7,165 | 30.3 | 11.1 | 0.7 |
| 1993 | 9,857 | 34.9 | 0.2 | 0.0 |
| 1992 | 8,352 | 29.4 | 10.0 | 0.7 |
| 1991 | 7,186 | 25.5 | 9.3 | 0.6 |
| 1990 | 1,794 | 6.5 | 3.4 | 0.2 |
| 1989 | 3,361 | 12.1 | 7.5 | 0.5 |

Source: Ministry of Finance, Metro Regional Assessment Offices.

* Estimated loss due to appeals only.

Higher property taxes on Metro businesses compared to the rest of the GTA are often cited as one reason that businesses are moving to the suburban municipalities of the GTA — leaving a so-called *hole in the doughnut*. The flight of businesses from Metro has been a problem for many years but, as with the assessment base, the need for reform has become far more pressing today. The Metropolitan Toronto Board of Trade explained this urgency:

A substantial property tax gap between Metro and the surrounding municipalities has existed and been recognized for at least 20 years. However, such tax differentials are no longer sustainable if the long-term viability of Metro as a competitive location for business is an issue. The difference today is that competitive forces have squeezed business profit margins to a much lower level than has ever existed before, and the regions around Metro have become so developed now that a Metro business relocating there is sacrificing very little.²

Although tax competition among municipalities is not legally permitted in Ontario, there is considerable variation in the taxes paid by similar commercial and industrial properties across the GTA. Exhibit 3.3 confirms that effective property tax rates (taxes relative to market value) are significantly higher on commercial and industrial properties in Metro Toronto than in the rest of the GTA. In fact, effective property tax rates on commercial properties in the City of Toronto are higher than in any other municipality in the GTA. However, effective property tax rates on industrial property in the City of Toronto are relatively low.

Business location studies in the United States suggest that property taxes have a significant impact on the decision where to locate *within* a region but do not have as significant an impact on the location decision *between* regions.³ Location decisions between regions are influenced mainly by market conditions, the availability and cost of a skilled labour force, the presence of necessary production materials, and proximity to markets. Within a region, market conditions and cost variables tend to be reasonably uniform. Lower property taxes in one community will generate lower costs at the margin and higher profits for businesses locating there.

Since effective property tax rates on commercial and industrial property are higher in Metro Toronto than elsewhere in the GTA, the tax system creates a disincentive to locate in Metro. Property tax differentials are a particular concern in

2 One of the competitive forces referred to by the Board of Trade is technology. Advances in telecommunications have reduced the costs of doing business across distances and have reduced the costs of locating outside the core. As Robert Korthals, former TD Bank President, explained: "The two factors [driving costs down] are the ability to deliver increased fibre optic bandwidth on people's desks and the continuing decline in long distance costs."

3 Enid Slack, "Is There an Economic Crisis in the GTA Core?" (Report prepared for the GTA Task Force, August 1995), p. 23; See also Harry Kitchen and Enid Slack, *Business Property Taxation* (Kingston, Ontario: Government and Competitiveness, School of Policy Studies, Queen's University, 1993).

REFORMING THE PROPERTY TAX

the Metro municipalities of North York, Etobicoke, and Scarborough that border on the outer GTA. While the municipalities that border on each other are fairly comparable in terms of access to skilled labour and transportation networks, they differ markedly in the level of their property taxes.

EXHIBIT 3.3: EFFECTIVE PROPERTY TAX RATES ON COMMERCIAL AND INDUSTRIAL PROPERTIES IN THE GTA, 1994 (% OF MARKET VALUE)

| Municipality | Commercial | Industrial |
|------------------------|------------|------------|
| Metro Toronto | | |
| Toronto | 3.2 | 2.5 |
| North York | 3.0 | 4.2 |
| Scarborough | 2.8 | 4.4 |
| Etobicoke | 2.6 | 4.3 |
| East York | 3.0 | 4.8 |
| York | 2.8 | 4.9 |
| York | | |
| Vaughan | 1.3 | 2.1 |
| Markham | 2.2 | 2.3 |
| Richmond Hill | 1.6 | 2.3 |
| Whitchurch-Stouffville | 1.2 | 2.3 |
| Aurora | 1.4 | 2.7 |
| Newmarket | 1.7 | 2.4 |
| King | 1.8 | 2.4 |
| East Gwillimbury | 1.4 | 2.2 |
| Georgina | 2.1 | 2.7 |
| Peel | | |
| Mississauga | 1.9 | 2.1 |
| Brampton | 1.8 | 2.7 |
| Caledon | 1.4 | 2.5 |
| Halton | | |
| Oakville | 1.6 | 2.9 |
| Burlington | 1.9 | 3.0 |
| Milton | 1.8 | 2.2 |
| Halton Hills | 1.8 | 2.8 |
| Durham | | |
| Pickering | 1.8 | 2.1 |
| Ajax | 2.0 | 2.5 |
| Whitby | 2.1 | 2.7 |
| Oshawa | 2.8 | 4.6 |
| Newcastle | 1.9 | 2.9 |
| Scugog | 1.9 | 2.7 |
| Uxbridge | 2.4 | 3.9 |
| Brock | 2.3 | 3.1 |

Note: Effective tax rates include taxes for lower-tier purposes, upper-tier purposes, and education.

Source: Ontario Ministry of Municipal Affairs and Housing.

3.2 WHY THESE PROBLEMS HAVE ARISEN

The main reason for the increase in assessment appeals is the obsolescence of the assessment system, which has led an increasing number of property owners to appeal their assessments. The increase in appeals in the last three years can also be attributed to the public release of the Metro property tax impact study by the Ministry of Finance in 1992. This study made it easy for taxpayers to compare their assessments to those on other, similar properties and to determine whether they were over-assessed.

The explanation for business tax inequities between Metro and the outer GTA is threefold: the outdated assessment system, the way in which welfare and education are funded, and higher spending levels in Metro relative to the outer GTA.

Many submissions to the Task Force recognized problems with the assessment system and the urgent need for reform. The Metropolitan Toronto Council noted that the property assessment system is “the single most important component of the municipal finance framework” but called the current system “antiquated, unfair, and incomprehensible.”⁴

These comments were echoed by the Metropolitan Toronto Board of Trade, which pronounced the assessment system “antiquated, inequitable, rife with distortions, and long overdue for replacement.”⁵

Most of the problems with property assessment can be directly attributed to the fact that it is outdated. Metropolitan Toronto has not been reassessed since 1954, when assessments were based on 1940 values. Major municipalities in Durham Region, including Oshawa and Whitby, are still assessed based on values from the 1940s and 1950s. Most other municipalities in the outer GTA regions have not been reassessed for at least 10 years. Had assessments been updated on a regular basis, we would not be experiencing the flood of appeals and the sudden, significant tax adjustments that are decimating the system.

The outdated assessment system has resulted in three kinds of inequities: within classes of property, between classes of property, and across municipalities. *Inequities within classes of property* refers to similar properties within a class — for example, two single-family homes — not being assessed at the same value. *Inequities between classes of property* occur when two properties in different classes are assessed differently even though their market value is the same. For example, multi-unit residential properties are assessed at more than four times the level of single family dwellings in some Metro municipalities. *Inequities*

An Outdated Assessment System

⁴ Municipality of Metropolitan Toronto, “There’s No Turning Back: A Proposal For Change” (Submission to the GTA Task Force, August 1995), p. 4.

⁵ The Board of Trade of Metropolitan Toronto, Letter to the GTA Task Force (May 18, 1995), p. 1.

between municipalities occur when similar properties within the same class, but located in different municipalities, are assessed differently.

It is the inequities within classes of properties that have led to the assessment appeals in Metro Toronto. Having compared their assessments with those on similar properties, many homeowners have determined that they are over-assessed. Commercial and industrial property owners have also appealed their assessments after comparing them to similar properties. Assessment inequities, as well as leading to appeals that erode the tax base, also cause taxpayers to lose confidence in the integrity of the tax system.

The commercial class presents particular problems because properties can be reassessed only by comparing them to other similar properties, rather than to all other commercial properties. Assessed values for hotels, for example, are determined by comparing individual properties to other hotels and not to other properties within the commercial class. As a result, hotels in Metro Toronto, which, historically, have been assessed at higher levels than other commercial properties, cannot be reassessed to achieve parity with other commercial properties. Shopping malls and bank branches have also been assessed at relatively high levels.

Inequities between property classes and across municipalities are partly responsible for the property tax gap between businesses in Metro and those in the rest of the GTA. The assessment system discriminates against non-residential property everywhere in the province, but more so in Metro municipalities than in the rest of the GTA. Exhibit 3.4 shows that the ratio or percentage of residential effective tax rates to commercial tax rates is substantially lower in Metro municipalities than in most outer GTA municipalities. For example, the ratio is only 0.42 in the City of Toronto, compared to 0.70 in the City of Mississauga.

The over-assessment of non-residential property, especially in Metro, is exacerbated by a provincially-legislated higher mill rate on non-residential property and an additional Business Occupancy Tax levied on occupants of commercial and industrial property. The Business Occupancy Tax is levied at rates that vary from 25 percent to 75 percent of realty taxes, depending on the nature of the business. Although most previous studies of property taxation in Ontario have recommended the abolition of the Business Occupancy Tax on the grounds that it is arbitrary and unrelated to business profits, it remains a part of the property tax system.

Funding Welfare

Welfare funding is currently shared by the Province, Metro, and the other regional governments. Metro's share of welfare is funded primarily out of its property tax revenues. Because the demand for services is higher in Metro than

REFORMING THE PROPERTY TAX

**EXHIBIT 3.4: RESIDENTIAL EFFECTIVE TAX RATES (% OF MARKET VALUE) IN THE GTA AND
RESIDENTIAL RATES AS A PROPORTION OF COMMERCIAL RATES**

| MUNICIPALITY | SINGLE-FAMILY RATES | MULTI-UNIT RATES (7+) | COMBINED RESIDENTIAL RATES | RATIO OF RESIDENTIAL TO COMMERCIAL RATES |
|--------------------------------|------------------------|--------------------------|----------------------------------|--|
| CITY OF TORONTO | 0.9 | 4.4 | 1.3 | 0.42 |
| CITY OF ETOBICOKE | 1.2 | 4.6 | 1.4 | 0.42 |
| CITY OF SCARBOROUGH | 1.3 | 4.2 | 1.5 | 0.41 |
| CITY OF NORTH YORK | 1.1 | 4.3 | 1.4 | 0.42 |
| CITY OF YORK | 1.2 | 4.9 | 1.6 | 0.43 |
| BOROUGH OF EAST YORK | 1.1 | 4.8 | 1.6 | 0.41 |
| CITY OF OSHAWA | 1.4 | 3.4 | 1.6 | 0.42 |
| TOWN OF AJAX | 1.4 | 2.4 | 1.5 | 0.64 |
| TOWN OF PICKERING | 1.4 | 2.6 | 1.4 | 0.69 |
| TOWN OF WHITBY | 1.5 | 2.8 | 1.6 | 0.64 |
| MUNICIPALITY OF CLARINGTON | 1.4 | 3.8 | 1.4 | 0.58 |
| TOWNSHIP OF BROCK | 1.2 | 1.4 | 1.2 | 0.46 |
| TOWNSHIP OF SCUGOG | 1.2 | 2.1 | 1.2 | 0.54 |
| TOWNSHIP OF UXBRIDGE | 1.2 | 3.0 | 1.2 | 0.45 |
| CITY OF BURLINGTON | 1.3 | 3.1 | 1.3 | 0.59 |
| TOWN OF HALTON HILLS | 1.3 | 2.5 | 1.3 | 0.58 |
| TOWN OF MILTON | 1.1 | 3.1 | 1.2 | 0.56 |
| TOWN OF OAKVILLE | 1.2 | 3.2 | 1.3 | 0.56 |
| CITY OF BRAMPTON | 1.5 | 2.4 | 1.5 | 0.63 |
| CITY OF MISSISSAUGA | 1.4 | 2.4 | 1.4 | 0.70 |
| TOWN OF CALEDON | 1.4 | 2.3 | 1.4 | 0.71 |
| CITY OF VAUGHAN | 1.2 | 1.9 | 1.2 | 0.63 |
| TOWN OF AURORA | 1.2 | 2.5 | 1.2 | 0.57 |
| TOWN OF MARKHAM | 1.2 | 2.7 | 1.2 | 0.55 |
| TOWN OF NEWMARKET | 1.2 | 2.0 | 1.3 | 0.64 |
| TOWN OF RICHMOND HILL | 1.2 | 2.7 | 1.3 | 0.65 |
| TOWN OF WHITCHURCH-STOUFFVILLE | 1.1 | 2.9 | 1.1 | 0.65 |
| TOWN OF EAST GWILLIMBURY | 1.1 | 2.1 | 1.3 | 0.68 |
| TOWN OF GEORGINA | 1.3 | 2.1 | 1.3 | 0.55 |
| TOWNSHIP OF KING | 1.0 | 1.7 | 1.0 | 0.47 |

Source: Effective tax rates from Ontario Ministry of Municipal Affairs and Housing.

in any other part of the GTA, funding welfare from the property tax revenues is particularly onerous for Metro. In 1994, welfare caseloads in Metro were 50.4 per 1,000 population, compared to 24.3 in Durham, 16.8 in Peel, 16.5 in York, and 9.8 in Halton. Higher tax rates in Metro can be attributed, at least to some extent, to the relatively higher demands for welfare services in Metro.

Funding Education

Education accounts for at least 55 percent and as much as 70 percent of property taxes collected in different parts of the GTA. As long as education taxes account for such a large proportion of the commercial and industrial tax bill, differentials in commercial and industrial property taxes across the region will be largely attributed to the education finance system. The way in which education is currently funded in Ontario (through a combination of property taxes and provincial grants) has resulted in different tax rates for education across the region.

The main grant for education is based on the number of pupils and the size of the assessment base (equalized to reflect differences in assessment practices across the Province). The larger the enrolment and the smaller the assessment base, the larger the grant. Under the current formula and the way in which variables are determined by the Province, the Metropolitan Toronto School Board does not qualify for general educational grants. This means that virtually all of its operating expenditures are funded from property taxes. All other public and separate boards in the GTA receive some provincial funding. This explains, in part, why property taxes for education are higher in Metro Toronto.

Spending Levels, Provincial Grants, and Spillover Services

There are other possible reasons for the tax gap. These include relatively high spending levels on education and municipal services in Metropolitan Toronto, inequities in the provincial grant formulae for municipal services, and the spillovers of Metropolitan Toronto services beyond its boundaries, for which Metro is not compensated.

In discussions with the Task Force, political and community leaders in the outer GTA attributed Metro's relatively high taxes to wasteful spending and inefficient government. The Greater Toronto Coordinating Committee has shown that the net revenue requirement for municipal purposes ranges from \$1,483 per household in Durham to \$2,190 per household in Metro.⁶ Although spending levels are generally higher in Metro, the Task Force cannot precisely evaluate the degree to which higher expenditures are caused by higher service levels, by greater needs, or by inefficiency.

⁶ Finance Sub-Committee of the Greater Toronto Coordinating Committee, "Preliminary Report, Net Revenue Requirement" (August 1995), p. 16.



While inefficiencies may be a contributing factor, there is no doubt that Metro's demographic make-up drives up its costs to levels well above those in the outer GTA. The incidence of low income (as defined by Statistics Canada in the 1991 census) in Metro Toronto is 16.3 percent compared to 10.9 percent for Ontario. In the outer GTA, the incidence of low income is below the provincial average. The percentage of lone-parent families in Metro is over 15 percent compared to about 10 percent for the outer GTA. The proportion of recent immigrants from non-English speaking countries in Metro is twice the provincial average, but below the provincial average in Durham and Halton.⁷

While outer GTA municipalities argue that Metro spends too much, Metro contends that it does not receive its fair share of provincial grants for municipal services, and that this under-funding widens the tax gap. But Metro's case for not receiving its due is not compelling. For example, Metro receives 49.4 percent of net transit expenditures (net of fare box revenues) while outer GTA municipalities, at 51.4 percent, receive only marginally more. Although Metro receives only about 52 percent of its ambulance costs from the Province, compared to 100 percent in outer GTA regions, it receives \$16 on a per capita basis for ambulances compared to \$12 in the rest of the GTA.⁸ Similarly, the per capita level of funding for public health services is almost uniform across the GTA (\$13 per capita), even though the percentage of public health subsidy is lower for Metro municipalities' public health expenditures than the percentage subsidy in other GTA regions.

On the other hand, Metro's claim that it is disadvantaged by its financial responsibility for assets and services that provide GTA-wide benefit is persuasive. Among the regional assets funded by Metro are the Metro Toronto Zoo, O'Keefe Centre, Exhibition Place, and the Metro Toronto Reference Library. Similarly, Metro's transit costs are higher largely because Metro's subways, buses, and streetcars are used by outer GTA residents who come to the central city for work or leisure activities. Recommendations on the shared funding of assets and some services are included in Chapter 6.

3.3 PROPOSING SOLUTIONS TO THE ASSESSMENT PROBLEM

In proposing solutions, the Task Force has focused on policy changes that will stabilize the assessment base and reduce property tax inequities. The three main areas targeted for reform are the assessment base, mill rates, and non-residential education property taxes.

7 Metropolitan Toronto School Board, "Student Equity vs. Taxpayer Equity: Changing the Role of Provincial Funding" (February 1995), Appendix D, p. 1.

8 Calculations for the GTA Task Force by the Ministry of Municipal Affairs and Housing, Municipal Finance Branch.

According to provincial legislation, all properties in Ontario are supposed to be assessed on the basis of their market value. But in reality, market value assessment is not in place across the GTA. The region contains a mix of assessment systems that have been implemented at different times over the past 50 years. The inequities within, and between, classes of property exist because there is no true market value assessment in the city-region.

Assessment Base Alternatives: Residential Property

A number of alternatives were considered for reforming the assessment base. These can be grouped into two basic categories: unit-based assessments (which are based mainly on the size of the property) and value-based assessments (which are based on an estimate of the property value).

Unit-Based Assessment

Unit-based assessment systems have been proposed by the City of Toronto and by the Fair Tax Commission. They include Unit Assessment and Unit Value Assessment.

Unit Assessment (UA) is essentially a charge per square foot of land and building. It is calculated by multiplying an assessment rate per square foot of lot by the size of the lot and then adding an assessment rate per square foot of building times the area of the building. A property that has a larger land and/or building area than another property will therefore have a higher assessment. UA can be designed to place a relatively greater weighting on either the land or floor area of the property. At the extreme, UA can tax land only (zero weighting on floor area) or building only (zero weighting on land area).

The main advantages of a Unit Assessment system are that it is easy to administer and it is stable. Property assessment is a matter of determining the dimensions of the property, which is an objective measure. Data are readily available, simple, and inexpensive to determine. Taxpayers can easily understand their tax calculation and compare their assessment with those of other properties. The appeal process would also be fairly straightforward because it would be based only on the calculation of the dimensions of the property. Further, UA is considered to be a relatively stable source of revenue because it changes only when additions are made to the property.

Although Unit Assessment appears to have a number of advantages, it fails miserably on equity grounds. As previous studies have shown, and as we will show below, a property tax based on the dimensions of the unit shifts the tax burden from relatively high income households to relatively low income households. Families in large houses would pay relatively high taxes even if the house is worth relatively little. This scenario is more likely to occur in the City of Toronto, where

property values are determined much more by location than by the size of the property. For this reason, UA is generally considered to be unacceptable in its pure form.

Unit Value Assessment (UVA) is a modified form of Unit Assessment in that it is still based on area but is adjusted by factors that reflect market value. For example, the assessment rate per square foot may vary by the average rent in the neighbourhood, the age of the building, its use, or its location. If UVA is weighted by enough factors, it becomes very similar to a market value assessment.

The administrative, stability, and transparency advantages of Unit Assessment are lost when we move to a Unit Value Assessment system. Under a UVA system, assessors would have to collect data that reflect value for the neighbourhoods or for individual properties. The most obvious administrative problem with UVA weighted by rental values is obtaining reliable rental data. Our analysis of UVA suggested that assessors would have to use considerable discretion and resources to come up with a rental factor for each neighbourhood because there are no existing reliable data on residential rental values by neighbourhood.

Unit Value Assessment is also a less stable base than Unit Assessment because the introduction of a location factor, and other factors, in the assessment base will result in fluctuations in the base over time. UVA is also less comprehensible to taxpayers than UA because adjustments for variables such as location and property type would create difficulties in understanding one's own taxes and comparing them with taxes on other properties.

Although Unit Value Assessment weighted by a rental factor is less regressive than Unit Assessment, it is still more regressive than the value-based alternatives. By using location factors (such as rental values in a neighbourhood) that link the assessment of an individual property with all other properties in the neighbourhood, UVA also generates unfair outcomes for individual property owners. Under UVA, two homeowners on the same street with the same size house will pay the same tax even if one home is worth twice as much as the other.

The Netherlands and Israel are the only countries that have attempted Unit Value Assessment. Rotterdam, which was on a UVA system from 1977 to 1994, found it necessary to address the inequitable tax burden on low-income neighbourhoods that accompanies a pure square foot tax. Weighting factors that reflect rents in a vicinity, type of property, use of property, and quality of property had to be reflected in assessments. A major problem in Rotterdam arose over the boundaries in which properties of the same area would pay the same tax. To compensate for these problems, repeated refinement of other factors that accounted for use and quality were adopted. Ultimately, these adjustments

resulted in increased complexities, instability, and appeals. The virtues of the system were completely undermined.

The Director of Municipal Taxation in Rotterdam concluded that Unit Value Assessment is unworkable:

As soon as the need for more refinement [of a UA system] comes into existence and there is a need to keep step with market value, the situation starts to be rather complicated and expensive.⁹

Israel seems to be facing its own problems with the UVA system. Taxes in Tel Aviv are based on the area, location, and age of building. The lack of consideration for property value in the tax base generates many complaints among residents in apartments and private homes. Tel Aviv City Council has recently formed a commission to review the problems with the property tax assessment system.¹⁰

Value-Based Assessment

The Task Force examined two types of value-based assessment systems: Market Value Assessment and Actual Value Assessment.

Market Value Assessment (MVA) estimates the value that the market places on individual properties. MVA can be calculated by using sales data, property income data, or cost of construction data. Sales data are normally used for non-income-generating residential properties, whereas income data are normally used for multi-unit dwellings and non-residential properties. Cost of construction data might be used for large industrial properties or new properties. Assessors collect data that reflects recent market values.

Almost every developed country in the world uses some form of market value-based assessment in its residential sector.¹¹ This ubiquity suggests that market value-based systems are practical and feasible. In contrast to international experience with Unit Value Assessment systems, experience with market value-based systems has been relatively positive. Market value-based assessment has been widely accepted in North American and other jurisdictions, and has generated a reasonably low number of appeals where it has been updated on a regular basis.

Critics of Market Value Assessment note that the systems can be both complex and volatile. Unless the assessment base is determined in an objective and systematic way, taxpayers will have trouble understanding their property's assessed value. Because market values can fluctuate significantly, especially during inflationary periods, market value assessments will be volatile unless stabilization techniques such as frequent updating and assessment averaging are used.

⁹ Henk Verbrugge, *Alternatives to Market-based Property Taxes for Local Government* (Paper prepared for Second International Conference on Local Government Taxation, Budapest, 1993), p. 1.

¹⁰ Joan Youngman and Jane Malme, *An International Survey of Taxes on Land and Buildings* (Boston: Kluwer Law and Taxation Publishers, 1994), p. 147.

¹¹ *Ibid.*

MVA systems can also be transparent: taxpayers are generally aware of their own property value and can relate that to the assessed value. As will be shown below, MVA is less regressive than either of the unit-based systems.

It is important to draw a distinction between Market Value Assessment and the assessment system that was proposed for Metropolitan Toronto in 1992. The latter was based on 1988 values and was not really market value for two reasons. First, the administrative framework in which assessments were carried out lacked consistency and objectivity. Assessments were based on a range of techniques across the region, depending on the availability of sales or rental data, rather than being determined in a systematic fashion. Second, the proposed reassessment was on a class-by-class basis rather than on a full market value basis across all properties. Consequently, municipalities were not given any opportunity to address inequities between the residential and non-residential classes of property.

Another problem with the proposed reassessment in Metro was that assessments were based on property values from a single year rather than on an average of several years. Basing assessments on values from the peak of a real estate boom created a distorted base and magnified the speculative component of property values that were reflected in the sales data used by assessors.

Actual Value Assessment (AVA) is a value-based assessment that is a hybrid of Market Value Assessment and Unit Value Assessment. It is like MVA in that it ascribes a value to each property, but it is administered like a UVA system in that property values are determined by applying weighting factors that reflect property characteristics. (See Exhibit 3.5: *How Actual Value Assessment Improves on Market Value Assessment*.) As noted earlier, when UVA is weighted by market factors, it becomes MVA. AVA ascribes a *quality class* to each property, which establishes a basic rate or value by property type. AVA then constructs values for owner-occupied residential properties by factoring values in the neighbourhood and costs of amenities such as driveways, garages, fireplaces, porches, and pools.

Under Actual Value Assessment, most non-residential properties and rental residential properties are assessed under the income method. Land and building are assessed separately to minimize the speculative component in building values. Assessors capitalize the income stream that could be generated by particular parcels of land in their highest and best use. Buildings are assessed using the actual income stream that they generate in their current use. The replacement-cost approach is used primarily for new income-generating properties or in other situations where assessors have difficulty calculating income. Major industrial sites are assessed under the guidelines of a manual developed jointly by the Assessment Authority and industry.

EXHIBIT 3.5: HOW ACTUAL VALUE ASSESSMENT IMPROVES ON MARKET VALUE ASSESSMENT

| UNDER AVA | UNDER EXISTING ONTARIO MVA |
|--|--|
| GREATER STABILITY <ul style="list-style-type: none"> • AVERAGES VALUES OVER 3 YEARS • UPDATES ANNUALLY • ASSESSES LAND AND BUILDINGS SEPARATELY AND ASSESSES BUILDING VALUE ON CURRENT USE | <ul style="list-style-type: none"> • TAKES VALUES FROM SINGLE YEAR • REASSESSES EVERY 4 YEARS • INCLUDES SPECULATIVE VALUE IN ASSESSMENT |
| GREATER RELIABILITY <ul style="list-style-type: none"> • ESTABLISHES BASE RATE FOR 15 DIFFERENT "QUALITY CLASSES"¹ PROVINCE-WIDE AND ADJUSTS FOR SPECIFICS OF HOME • PRODUCES FINAL ASSESSMENTS CENTRALLY AND CHECKS FOR ACCURACY | <ul style="list-style-type: none"> • ASSESSES HOMES BASED ON SALES OF INDIVIDUAL PROPERTIES • DETERMINES ASSESSMENTS LOCALLY UNDER DISCRETION OF PROVINCIAL ASSESSORS |
| GREATER EQUITY <ul style="list-style-type: none"> • APPLIES CONSISTENT METHODOLOGY ACROSS THE PROVINCE FOR HOMEOWNERS AND BUSINESSES • LEVELS THE PLAYING FIELD FOR VALUATION OF PROPERTIES AND PERMITS MUNICIPALITIES TO SHIFT BURDEN ACROSS PROPERTY CLASSES TO IMPROVE EQUITY • PERMITS TAXPAYERS TO COMPARE ACROSS CLASSES | <ul style="list-style-type: none"> • APPLIES DIFFERENT METHODOLOGIES AND TAX BASE YEARS IN DIFFERENT MUNICIPALITIES • MAINTAINS HISTORIC INEQUITIES IN THE TAX BURDEN BETWEEN ALL CLASSES OF PROPERTY • PERPETUATES DIFFICULTIES IN COMPARING TAX BURDENS |

1 Examples of quality classes in B.C.'s assessment manual include "After 1960 – Modern Standard" which provides standard quality housing with a modern theme, "After 1980 – New Standard" which provides a new standard of quality housing in the post 1980 period, and "After 1930 – Excellent" which provides excellent quality housing, usually contract built under supervision of an architect.

One advantage of Actual Value Assessment is that, once the assessment base is established, it is simple to administer because it uses a computer model to estimate property values. Each property is subjected to the same techniques of assessment and there is little room for subjective evaluation. AVA is also transparent and equitable. Taxpayers can be shown the factors that were used to value their property and understand the value that is ultimately placed on it. And, as will be shown below, since AVA is a value-based system, it is more equitable than either UA or UVA.

In Canada, British Columbia's system of Actual Value Assessment serves as an example of a widely accepted, relatively effective market value-based assessment system. Appeals in British Columbia range from only 2 percent to 3 percent each year and only about 10 percent of those are successful. Public opinion surveys in British Columbia attest to the relatively high acceptance level of the system among the public.¹²

The Task Force is particularly concerned about two aspects of implementing a new assessment system in the GTA: the impact on high-income versus low-income households (equity) and the tax shift that would occur within municipalities in the GTA. We undertook a study with the Ontario Ministry of Finance to examine Market Value Assessment, Unit Assessment and Unit Value Assessment options in Metro Toronto.¹³ We created a UVA system by weighting UA with a rental factor. Neighbourhoods were assigned higher unit-assessments in proportion to their relative rental value in the municipality.¹⁴

Unfortunately, we were not able to estimate the impact of Actual Value Assessment because there are no Actual Value data available for individual properties in Greater Toronto and none could be developed in our timeframe. Instead of using Actual Value Assessment, we used the Ministry of Finance 1988 market value impact study to compare the effects of various assessment systems on high and low-income neighbourhoods and to draw general conclusions about the relative merits of value-based assessment and unit-based assessment. However, the individual property assessments will differ substantially from the 1988 data because our proposed system takes a more recent base year, and because the assessment methodology will be different.

Our study indicates that Unit Assessment places substantially more tax burden on low income neighbourhoods than 1988 Market Value Assessment. Exhibit 3.6 shows the impacts on single family homes in the City of Toronto of a class-by-class UA and 1988 MVA relative to the current assessment base. The most equitable (least regressive) UA scenario that we examined is one where land is

Comparing The Impacts of Assessment Systems

12 A 1994 survey of owners carried out by the British Columbia Assessment Authority suggests that most residents in B.C. agree that the property tax base is fair and that the valuation placed on their property is fair relative to other properties.

13 UA and UVA options included scenarios with land/floor area weighting of 70/30, 50/50 and 0/100. The study did not permit shifts in tax burden between municipalities.

14 Rental rates were estimated and provided by Royal LePage for each of the homogeneous neighbourhoods in Metro Toronto.

given a weighting of 70 percent and building floor area is given a weight of 30 percent. Under this scenario, homeowners in neighbourhoods with average incomes between \$40,000 and \$50,000 would pay \$170 more in tax, while households with incomes in excess of \$80,000 would receive a \$560 tax break. Under MVA, the lower-income households would receive a decrease of \$120 and the upper-income households would face a \$450 increase on average.

The worst Unit Assessment scenario we examined is one where all the weight is placed on floor area. Under this scenario, lower-income households would pay \$420 more in tax while upper-income households would pay \$1,130 less on average than they currently pay.¹⁵

**EXHIBIT 3.6: IMPACTS ON SINGLE FAMILY DWELLINGS IN THE CITY OF TORONTO
OF MOVING FROM CURRENT ASSESSMENT BASE TO UA OR MVA**

| NEIGHBOURHOOD AVERAGE HOUSEHOLD INCOME | AVERAGE INCREASE/DECREASE UNDER EACH OPTION | | | |
|---|---|----------|----------|-----------|
| | 1988 MVA | UA 70/30 | UA 50/50 | UA 0/100 |
| \$40 - \$50,000 | - \$120 | \$170 | \$240 | \$420 |
| \$50 - \$60,000 | - \$140 | \$110 | \$150 | \$250 |
| \$60 - \$70,000 | - \$30 | \$70 | \$80 | \$100 |
| \$70 - \$80,000 | \$60 | - \$20 | - \$90 | - \$260 |
| \$80,000+ | \$450 | -\$560 | - \$720 | - \$1,130 |

Source: Ontario Ministry of Finance UA/UVA study for GTA Task Force, 1995.

Exhibit 3.7 demonstrates the regressivity of Unit Assessment in North York. Even when land is given 70 percent weighting, households with incomes in excess of \$80,000 would pay an average of \$1,210 less tax than they do now. Under Market Value Assessment, households in this high-income group would pay \$260 more tax than they do now.

¹⁵ Results are similar in other Metro Toronto municipalities. Overall, the MVA scenarios were far more progressive than the UA scenarios.

REFORMING THE PROPERTY TAX

**EXHIBIT 3.7: IMPACTS ON SINGLE FAMILY DWELLINGS
IN THE CITY OF NORTH YORK OF MOVING FROM CURRENT ASSESSMENT BASE TO UA OR MVA**

| NEIGHBOURHOOD AVERAGE HOUSEHOLD INCOME | AVERAGE INCREASE/DECREASE UNDER EACH OPTION | | | |
|---|---|-----------|-----------|----------|
| | 1988 MVA | UA 70/30 | UA 50/50 | UA 0/100 |
| \$40 - \$50,000 | - \$190 | \$170 | -\$50 | \$240 |
| \$50 - \$60,000 | - \$140 | - \$240 | -\$130 | \$160 |
| \$60 - \$70,000 | - \$120 | - \$450 | -\$280 | \$130 |
| \$70 - \$80,000 | \$110 | \$2,810 | \$2,040 | \$110 |
| \$80,000+ | \$260 | - \$1,210 | - \$1,000 | - \$480 |

Source: Ontario Ministry of Finance UA/UVA study for GTA Task Force, 1995.

Our results show that Unit Value Assessment is only marginally more progressive than Unit Assessment and substantially more regressive than 1988 Market Value Assessment. Exhibit 3.8 shows the impacts on single family homes in the City of Toronto of a class-by-class UVA and 1988 MVA. The UVA 70/30 scenario (70 percent weighting on land and 30 percent on building area) was the least regressive of the UVA systems but was far more regressive than MVA. Under UVA 70/30, households in the \$80,000 + range would pay \$700 less tax than they currently do, while households in the \$40,000-\$50,000 range would pay \$140 more on average. Exhibit 3.9 shows that in the City of North York, households with over \$80,000 income would pay anywhere from \$550 to \$920 less, on average, under UVA than they do now.

REFORMING THE PROPERTY TAX

**EXHIBIT 3.8: IMPACTS ON SINGLE FAMILY DWELLINGS IN THE CITY OF TORONTO
OF MOVING FROM CURRENT ASSESSMENT BASE TO UVA OR MVA**

| NEIGHBOURHOOD AVERAGE HOUSEHOLD INCOME | AVERAGE INCREASE/DECREASE UNDER EACH OPTION | | | |
|---|---|-----------|-----------|-----------|
| | 1988 MVA | UVA 70/30 | UVA 50/50 | UVA 0/100 |
| \$40 - \$50,000 | - \$120 | \$140 | \$170 | \$260 |
| \$50 - \$60,000 | - \$140 | \$120 | \$140 | \$190 |
| \$60 - \$70,000 | - \$30 | \$20 | \$20 | \$30 |
| \$70 - \$80,000 | \$60 | \$280 | \$250 | \$160 |
| \$80,000+ | \$450 | -\$700 | -\$780 | -\$990 |

Source: Ontario Ministry of Finance UA/UVA study for the GTA Task Force, 1995.

**EXHIBIT 3.9: IMPACTS ON SINGLE FAMILY DWELLINGS
IN THE CITY OF NORTH YORK OF MOVING FROM CURRENT ASSESSMENT BASE TO UVA OR MVA**

| NEIGHBOURHOOD AVERAGE HOUSEHOLD INCOME | AVERAGE INCREASE/DECREASE UNDER EACH OPTION | | | |
|---|---|-----------|-----------|-----------|
| | 1988 MVA | UVA 70/30 | UVA 50/50 | UVA 0/100 |
| \$40 - \$50,000 | - \$190 | \$130 | \$190 | \$340 |
| \$50 - \$60,000 | - \$140 | -\$40 | \$20 | \$160 |
| \$60 - \$70,000 | - \$120 | -\$180 | -\$100 | \$100 |
| \$70 - \$80,000 | \$110 | \$1,580 | \$1,190 | \$230 |
| \$80,000+ | \$260 | -\$920 | -\$810 | -\$550 |

Source: Ontario Ministry of Finance UA/UVA study for the GTA Task Force, 1995.

We also examined a scenario where multi-unit and single-family residential properties are combined in the same class. The impacts of moving to single residential class Unit Assessment from the current base are more regressive than a shift to a single residential class Market Value Assessment. For example, in the City of Toronto, homeowners in the \$30,000-\$45,000 range would pay an average of \$410 more tax in a move to MVA and homeowners in the \$90,000+ range would pay an average of \$2,890 more. Moving to UA, homeowners in the lower-income range would pay anywhere between \$600 and \$830 more in tax; homeowners in the upper-income range would pay at most \$2,070 more and some would actually receive tax reductions.¹⁶

Results from a study carried out by the Region of Halton are consistent with our findings. In Halton, it was found that a UA system would shift tax burden off of the relatively high-income cities of Oakville and Burlington and onto the relatively low-income towns of Milton and Halton Hills. The average tax increase on residential property in Milton is in the 100 percent range when building and land are weighted equally. In Halton Hills, average residential tax increases were in the 30 percent range. Meanwhile, tax decreases in Oakville and Burlington were in the 20 percent and 10 percent ranges respectively.¹⁷

Halton Region's study found that the easiest way to prevent increased tax burdens on the residents of Milton and Halton Hills was to place almost all weight on building area and virtually none on land. This balance would create its own set of inequities. Same-size houses on very different lot sizes would pay the same tax. Leaving land completely untaxed could also undermine urban form policy objectives.

One of the barriers to reassessment in the past has been the magnitude of tax shifts that it creates within classes of property. In our study with the Ministry of Finance, we compared the size of the shift in the single-family property class if we were to move from the current system to class-by-class Market Value Assessment, Unit Value Assessment, or Unit Assessment. This shift represents the total tax increases — which equal the decreases — that occur when a new system is implemented. The tax shift from the current system to MVA would be almost \$12.7 million in the City of Toronto.¹⁸ This can be compared to \$11.9 million for

16 The City of Toronto also studied the equity implications of UA and MVA. In its submission to the Task Force, the City of Toronto argues that UA is not necessarily more regressive than MVA. But the City's arguments are based on the impacts of assessment systems on broad groups of neighbourhoods with income levels below or above the median household income in the City. (The Task Force study provides impacts on specific income groups within the City.) The City also combines currently over-assessed multi-unit residential properties with single-family properties in the same class to derive its results. The Task Force does not necessarily assume that this will take place, especially in the short term.

17 Data from Halton Region's UA study.

18 The impact of moving to a 1994 value-based system will be less than the impact of moving to a 1988 value-based system. Since the real estate boom of the late-eighties, City of Toronto property values have depreciated more than property values in other Metro municipalities. The Task Force estimates that, under the GTA's current governance and finance arrangements, the City of Toronto would face only a fifth of the increase in moving to a 1994 base that it would have faced under 1988 MVA.

UA with a weighting of 70 percent on land and 30 percent on floor area, \$13.5 million for UA with a 50-50 weighting and \$21.5 million for UA all weighted on floor area.¹⁹

All of the Unit Value Assessment options create a larger shift than Market Value Assessment: \$14.3 million for a 70-30 weighting; \$15.4 million for a 50-50 weighting; and \$19.6 million for UVA all weighted on floor area.²⁰ Finally, under a single residential-class Unit Assessment in Toronto, only the option that places full weight on buildings and leaves land untaxed generates a smaller shift than a move to MVA. This option, however, is the most regressive we explored.

Assessment Base Alternatives: Commercial and Industrial Sector

Commercial and industrial properties must be assessed on the basis of their value. Only the property value, as reflected in the rents that a property can generate, relates to the owner's ability to pay property tax. Unit Assessment is not an option for the commercial and industrial sector because the area of the property is unrelated to its rent-generating capacity.

The value-based options in the commercial and industrial sector are Market Value Assessment and Rental Value Assessment (RVA). There is only a subtle difference between RVA and MVA. Both MVA and RVA tend to use the rental income from individual properties as the assessment base.²¹ The primary difference between the two assessment systems is that RVA measures the value of a property in its current use, whereas MVA tends to measure the value of a property in its highest and best potential use. As a result, MVA may take a higher income stream or cost base than RVA for properties with imminent redevelopment potential.²²

Some forms of Market Value Assessment can pose problems for commercial *tenants*. If assessments are permitted to fluctuate widely from year to year, tenants will have trouble predicting and paying their taxes. Tenants may be unable to afford their taxes if the speculative value that investors place on properties is captured in assessments. A Market Value Assessment system must account for these potential problems and minimize them.

Rental Value Assessment, on the other hand, is unfair to commercial and industrial property *owners*. By taking the actual rent that a property generates as its base, RVA may reflect a particular tenant's income-generating capacity (ability

19 Results vary across Metro Toronto municipalities but the general pattern is that a move to MVA would generate smaller tax shifts than a move to any form of UA. Results do not take account of potential shifts between municipalities or property classes.

20 These results are for the City of Toronto, but the pattern is the same for all Metropolitan Toronto municipalities.

21 MVA in the commercial and industrial sector is normally determined by capitalizing the income stream from properties to estimate their value.

22 It is important to note that RVA has never been fully developed or tested. In particular, it is unclear how vacant land or developed properties that generate very low, or zero, rents would be assessed.

to pay) better than Market Value Assessment. The problem with this approach is that it under-assesses property owners who hold vacant land or whose properties generate little income, while penalizing property owners who develop their land and maximize their income-generating capacity.

Actual Value Assessment minimizes the potential problems inherent in both Market Value Assessment and Rental Value Assessment systems. Under AVA, commercial tenants are protected in two ways. First, it assesses the land and building components separately; although land is assessed at its highest and best use, buildings are assessed on the basis of the actual rental income they generate, which reduces the speculative component of values. Second, values are stabilized by averaging land values over several years. At the same time, AVA treats commercial and industrial property owners fairly. It does not leave vacant commercial or industrial land untaxed, or penalize owners for generating their maximum potential rent.

The GTA can achieve a truly equitable property tax base only if it introduces some form of market value assessment. Both Unit Assessment and Unit Value Assessment with a rental adjustment are unacceptably regressive. The tax shifts in moving from the current assessment base to a value-based assessment will generally be less than the shifts resulting from a move to various forms of unit-based assessment. A single-resident-class UA system designed to minimize tax shifts by placing more weight on building than land will exacerbate the inequities that are already in unit-based systems. In short, there is no practical UA or UVA option available.

The Task Force favours Actual Value Assessment because it is a value-based assessment system in which values are derived systematically. British Columbia's experience with actual value assessment has been highly successful for two reasons. First, Actual Value Assessment is administered in a more reliable, consistent, and objective manner than the Market Value Assessment system that Ontario uses. British Columbia has developed a computer-driven model that automatically produces new assessment values each year. AVA also minimizes the subjective judgement of tax assessors; assessors never visit a home unless it undergoes major renovations or construction.

Second, British Columbia is able to eliminate some of the dramatic shifts, and extreme highs and lows, that Ontario's system currently generates. This moderating effect is achieved by updating the provincial assessment roll every year and by averaging land values over three-year periods in large urban areas to smooth tax shifts in a changing real estate market.

**An Improved
Assessment
System for
the GTA**

Recommendation 2

The Province should adopt the Actual Value Assessment system for all classes of property.

A Common Assessment Base Across the Province

The Province took control of the assessment function from municipalities in 1970. Only one municipal submission (City of Toronto) called for the assessment functions to be returned to municipalities, on the grounds that they understand local economic, planning, and social policy impacts of assessment policy better than the province.²³

The Task Force believes that there should be a common, *province-wide* assessment base for several reasons:

- first, a common assessment base contributes to province-wide tax equity, allowing taxpayers anywhere in the region or in the province to compare tax burdens easily and to judge the fairness of the tax system;
- second, a common assessment base facilitates the use of assessment wealth to determine local shares of regional service costs; and
- third, the property tax is the single largest tax under provincial jurisdiction for which businesses are responsible; the design of its base affects the business climate, which is central to Ontario's economic well-being.

3.4 TRANSITION TO A NEW ASSESSMENT SYSTEM

Addressing the Urgency of the Problem

Long-term, comprehensive assessment reform will take up to three full years to implement. The urgency and severity of the problem raised the possibility of a more immediate solution: freezing Metro's assessment rolls in transition to a new system.

An assessment freeze would mean that changes in the assessment of all, or only certain, properties would be postponed temporarily or indefinitely. An assessment freeze could prevent further erosion of the tax base while a longer-term reform strategy is being developed. The Metropolitan Toronto School Board, which relies entirely on the property tax for its revenues, is one of the strongest advocates of a freeze.

The problem with an effective assessment freeze is that it creates its own tax inequities. An effective assessment freeze would cancel any outstanding appeals and block any future appeals that might result in tax reductions. Over-assessed properties would have no means of obtaining a tax reduction for the entire duration of the freeze. Many taxpayers have had appeals outstanding for years

²³ The City of Toronto stated in its submission to the Task Force that "the City of Toronto seeks return of assessment responsibility to the local level of government....Local governments should be free to choose their system of assessment from a menu that would include MVA, UA, UVA and RVA."

and assume that they will receive tax refunds for each of those years. The government could create substantial economic hardship, and might face legal challenges, if it cancelled those appeals retroactively.

In an effort to avoid some inequities, a modified freeze could be introduced. Under this option, future appeals would be prohibited while outstanding appeals would be recognized. The drawback to a modified freeze is that municipalities would continue to lose revenue as outstanding appeals work their way through the system. To balance these losses, upward adjustments to certain new, or extensively renovated, properties could be permitted. But recognizing the increase in value for some properties while ignoring decreases in value would generate its own set of inequities.

The only recent precedent for an assessment freeze dates back to 1971, when the government introduced *The Assessment Amendment Act*. One of the provisions of this *Act* was to maintain the 1970 assessment roll as the municipal tax base until the time of a planned reassessment in 1974. In the end, the *Act* did not prevent erosion of the base. In addition to recognizing outstanding appeals, the government allowed taxpayers to appeal in each year based on the 1970 roll. To offset the erosion from appeals, it updated the roll to include the increased property value where existing structures had been altered or new structures had been erected, providing the market value of these alterations or new structures exceeded \$2,500.²⁴

Having weighed all these factors, the Task Force has concluded that the Province should *not implement* a freeze because of the inequities it would create. However, there are some steps the government can take to address the most urgent of the problems. For example, Metropolitan Toronto, where the entire base is most outdated, should be reassessed prior to the outer GTA regions. The government should also reassess the non-residential sector prior to the residential sector. Reassessing the non-residential sector is a high priority because it would prevent further one-time large reductions in properties that can affect municipal and school board budgets.²⁵

Recommendation 3

To address the urgency of the assessment crisis, the Province should reassess Metro municipalities prior to the rest of Greater Toronto. It should also place the highest priority on reassessment of the non-residential sector.

²⁴ In fact, it seems that the primary motivation for freezing the roll in 1971 was not to stabilize the municipal tax base but rather to eliminate some of the administrative burden from the property tax system so that assessors could focus on the planned reassessment. See Department of Municipal Affairs, *An Analysis of the Assessment Amendment Act, 1971* (Toronto: Queen's Printer, 1971).

²⁵ Another reason to place a higher priority on non-residential property is that the creation of uniform non-residential rates for education across the GTA depends on a uniform base. Further discussion is found in Section 3.6.

Moderating Tax Shifts

Because it is a form of market value assessment, Actual Value Assessment will result in tax shifts. These shifts do not justify inaction. Many of the shifts are justified on equity grounds because properties are currently over or under-assessed. Furthermore, transitional relief can be provided for those who would experience large tax increases. Transitional strategies should be introduced to moderate three types of tax shifts: the increases on some property owners that result from ups and downs within the class, tax increases on low income homeowners, and tax increases on seniors who own homes.

Phasing in assessment increases and decreases can help moderate tax shifts. Taxpayers will have time to adjust to assessment increases if they are introduced gradually. The need for, and duration of, phasing will depend on the magnitude of tax shifts. Some GTA municipalities, such as those in Metro, may require up to five years because their assessment base is so outdated. Proposed tax decreases should be used to pay for moderation of the increases during the transition period. Under this system, property owners whose assessment is decreased would not receive the full tax benefit of their decrease until all increases are fully phased in.

We are especially concerned about the impacts of a reassessment on low-income households and seniors. For low and middle-income families, we propose a \$200 million transition fund to be administered by GTA municipalities and financed by the Province. The purpose of the fund is to ensure that nobody is forced to sell his or her home as a result of the reassessment. Therefore, the fund should be designed to provide tax relief to low and middle-income households that will face large tax increases. Our estimates suggest that, for approximately \$100 million, the Province could cap tax increases at \$500 for all Metro households with incomes below \$50,000 for four full years, starting when reassessments have been fully phased in.²⁶ Because Metro has the most outdated assessment base and represents about half of the entire GTA population, we can reasonably assume that it would be possible to provide the same level of relief for the rest of the GTA for an additional \$100 million.

We also propose that the Province introduce a tax-deferral program to ensure that low-income seniors are not compelled to sell their homes in order to pay rising property taxes. Under this program, seniors would be able to defer any amount of their property taxes until the home is transferred or sold.²⁷ The municipalities should administer this program in conjunction with the Province. Any start-up or administrative costs could be a joint responsibility of the Province and the municipalities.

26 The fund could be established as soon as reassessment commences. In the initial years of reassessment, however, little or none of the \$200 million would have to be spent, because the size of tax increases in those years would already be moderated by phase-in provisions.

27 There is currently no province-wide tax deferral program in place. Limited tax deferral was permitted under the *Municipal and School Tax Credit Assistance Act*. The Act was repealed in 1980. The only form of tax deferral currently in existence comes from private legislation and is for a limited number of municipalities.

Recommendation 4

The Province should introduce transitional tax relief upon implementation of a new assessment system. This relief should include:

- phasing in tax increases and decreases;
- a provincially-funded \$200 million transition program for low-income households to ensure that nobody need sell his or her home as a result of the reassessment; and
- a property tax deferral program for seniors.

3.5 OTHER ASSESSMENT REFORM ISSUES

Assessment reform will give rise to many specific technical and policy issues. Some of the issues arise because of anomalies in the assessment of various properties. (These include the assessment of hotels and railway or utility rights of way.) Other issues arise because an assessment or taxation policy decision is required. (These include the determination of mill rates on buildings of multiple use, the apportionment of taxes among tenants in shopping malls and other commercial properties, replacement or improvement of the Business Occupancy Tax, and property tax exemptions for uses ranging from cemeteries to charities and churches.)

Although the Task Force was unable to explore all of these issues fully, it benefited from informative and persuasive presentations on several of them:

- Railway companies argued that it is unfair to tax rights of way based on the value of abutting land. The Task Force recognizes the potential tax inequities that the current assessment methodology can generate for railway and other rights of way. The Province should review other approaches to assessing rights of way, such as a statutory rate per kilometre.
- Hotel owners argued that over-assessment of hotels relative to other commercial properties in Metro is unfair and is leading to the economic demise of the industry. The Task Force was persuaded that the Province should immediately investigate the gravity of the situation and, if warranted by current valuation data, allow municipalities to reassess hotels ahead of full assessment reform.
- Live-theatre owners argued that assessment of live theatres is inconsistent across Metro and places Toronto's theatres at a competitive disadvantage relative to theatres in the United States and other jurisdictions. The Province should address this inequity by, for example, establishing a separate class for

live theatres so that municipalities have the power to adjust tax rates to a more competitive level.

- Municipalities and committees on local government finance reform have suggested that elimination of the Business Occupancy Tax (BOT) could improve tax equity and reduce collection costs. The Province should consider eliminating the BOT and replacing its revenues — it raises about \$915 million annually in the GTA — with a different tax that is more equitable and easier to administer and collect.

3.6 ADDRESSING PROPERTY TAX INEQUITIES THAT AFFECT BUSINESS

Mill Rate Policy

Municipalities can determine total property tax collected, but have no control over the relative tax burden on different classes of property. Under the current system, provincial statutes require that the residential mill rate be 85 percent of the commercial and industrial rate. This constraint, combined with historical assessment inequities, has perpetuated and exacerbated the business property tax inequities over time.

The fact that different municipalities may choose different taxation policies for the commercial and residential sectors is not necessarily a problem; the problem is that no level of government has explicit control over tax policy. Municipalities can legitimately claim that the Province is responsible for the level of taxation on a given property class. At the same time, the Province can claim that, by setting the overall level of taxation, municipalities are responsible for the tax burden. Taxpayers are confused by this system and are unable to direct their tax-related concerns to any particular level of government.

To minimize confusion and ensure better decision-making for taxpayers, clear responsibility for the tax burden between property classes must reside with one level of government. Because municipalities control the general property tax level, they should also control the relative property tax burden between sectors. If municipalities were given full control over relative mill rates via *variable mill rates*, the taxpaying public could engage municipal politicians in a meaningful debate over the appropriate tax burden on different property classes.²⁸

In addition to improving accountability, variable mill rates could help ease transition to a new assessment system. Commercial and industrial properties are currently over-assessed relative to residential properties in Metro and multi-unit

²⁸ Current public policy changes in the City of Vancouver illustrate this point. Commercial properties in Vancouver have faced an increasing relative tax burden over time. As a result, a committee was struck by City Council to make recommendations on the appropriate tax rates that should apply to commercial properties relative to residential properties. When the committee found that taxes on commercial property were unjustifiably high, pressure to adjust commercial rates downwards fell squarely on Vancouver City Council and commercial rates are now scheduled to fall over time.

residences are over-assessed relative to single family homes. If residential properties were grouped together with non-residential properties for reassessment purposes in Metro and were unprotected by mill rate differentials, residential property taxes would increase dramatically across the region and by over 100 percent on average in the City of Toronto.²⁹ If the inequity between multi-unit and single-family residences were eliminated in Metro, homeowners would face an average increase of 30 percent.

These impacts should not prevent municipalities from implementing changes and, over time, achieving greater equity between residential and commercial properties, as well as between multi-unit residential properties and single-family dwellings. However, one way to avoid excessive shifts in the short term is to maintain approximately the current level of assessment in each property class by providing municipalities with variable mill rates. To minimize tax shifts from a reassessment, property classes currently grouped together for assessment purposes should be recognized under a variable rate system. As a minimum, these property classes should include class 0 (residential 1-2 units), class 1 (residential 3-6 units), class 2 (residential 7 units or more), class 3 (commercial), class 4 (industrial), and class 7 (farm property).

Recommendation 5

The Province should assign to local municipalities in Greater Toronto control over the relative mill rates that apply to different classes of property for municipal purposes.

The increased local responsibility that accompanies variable mill rates offers some advantages, but local flexibility can also be risky. The risks are that municipalities will either inflate tax rates on businesses in order to avoid the backlash of residential voters or cut business taxes in order to compete for business activity with other municipalities within the region. To guard against these possibilities, a region-wide range of variability between non-residential and residential tax rates, or bands, could be created.

In principle, the Task Force opposes the introduction of region-wide tax rate bands. Under a system of variable class mill rates, municipal councils will be torn between placing greater emphasis on business taxes to attract votes from homeowners, and reducing business taxes, to increase economic activity and expand the local tax base. The natural tension between these two tendencies is likely to prevent gross over-taxation of any particular sector.

There is a need for bands in the short term, however. In the context of our

²⁹ 1994 market value data from Assessment Division, Ontario Ministry of Finance.



central objective of reducing the tax gap and our recommendation for region-wide uniform commercial and industrial tax rates for education (see next subsection), short-term bands make sense. Introduction of uniform rates for education will lower property taxes on businesses in Metro and increase taxes on businesses in the outer GTA. In the short term, Metro municipalities will be able to increase business taxes without generating a net tax increase and may be tempted to quickly replace the business tax burden that has been removed. At the same time, outer GTA municipalities may find it relatively more difficult to tax business, and in fact feel pressure to lower business taxes relative to residential taxes because of the net tax increase businesses will have just incurred. In order to ensure that education finance reform serves to reduce the tax gap, the Province should constrain municipal mill rates in the short term.

Recommendation 6

For a transitional period, while assessment and education finance reforms are being implemented, the Province should establish mill rate bands to limit the variability in the residential-to-commercial tax rate ratio. Legislative provisions that create these bands should contain a sunset clause to ensure that bands are phased out as soon as the Task Force's education finance reforms have been phased in fully.

The key to establishing mill rate bands is, on the one hand, to provide municipalities with sufficient flexibility and accountability for mill rates and, on the other hand, to protect any progress that is made towards narrowing the tax gap. To strike a balance between these objectives, the region-wide band should reflect the current range of variability in municipal taxes on different classes of property, but prevent any further widening of the tax gap. In more concrete terms, one band should be set to match the current relationship between commercial and combined residential (composed of single and multi-unit properties) municipal tax rates in the municipality with the lowest residential-to-commercial rate ratio. Meanwhile, the other band should be set to match the relationship in the municipality with the highest ratio. The relationship between industrial rates and residential rates should be established in the same manner.

Variability in the residential-to-commercial tax rate ratio should be limited to the Town of Caledon's ratio of 71 percent at one extreme and the City of Scarborough's ratio of 41 percent at the other.³⁰ This proposed system would not force any municipality in the GTA to alter its current reliance on taxes from a specific property class, but would provide an ongoing incentive for municipalities to reduce the tax gap.

³⁰ Based on 1994 effective tax rates.

Pooling Non-Residential Education Taxes

Pooling non-residential education property taxes across the region and creating a uniform effective tax rate for non-residential property classes is the most important component of our strategy for reducing business tax inequities in Greater Toronto. Pooling creates a more equitable distribution of taxes among businesses in a region. In the absence of any pooling, different school boards can impose widely varying rates of education taxes on commercial properties. But because businesses benefit from the same education system, no matter where they locate in the GTA, all businesses should pay the same rate of education property tax throughout the region. Commercial education tax rates in the GTA currently range from a low of 0.9 per cent of market value in Vaughan to a high of 1.75 in the City of Toronto.

Pooling non-residential education taxes and creating a uniform education property tax rate is common across Canada. British Columbia began pooling and establishing a uniform non-residential education property tax rate in 1982. Alberta, New Brunswick, and Newfoundland are among the other provinces that have recently adopted a pooling policy. In Ontario, the Fair Tax Commission and Metropolitan Board of Trade both recently recommended that Ontario pool non-residential education taxes and create a province-wide uniform tax rate.

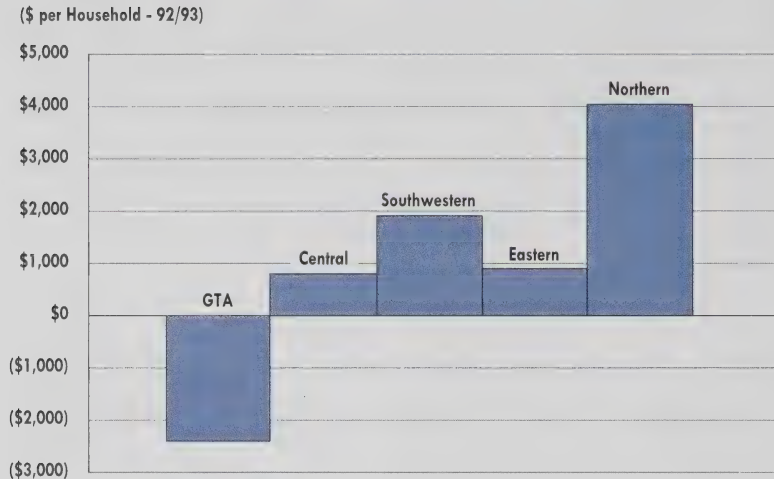
The concept of pooling education tax dollars is not foreign to the GTA region. Metropolitan Toronto currently pools its education and municipal tax dollars in order to redistribute funds from the relatively wealthy City of Toronto to the relatively poor cities of Scarborough, York, and East York. Taxes were originally pooled in Metro in order to create a more equitable education system across the region.

The Task Force supports GTA-wide pooling, but strongly opposes the notion that commercial and industrial education taxes should be pooled province-wide. Taxpayers within the GTA already subsidize education and other services outside the region. As clearly demonstrated in the groundbreaking report, "Rethinking the Fundamentals," the GTA contributes approximately 47 percent of total provincial revenues but receives back only 40 percent of expenditures. In addition, the GTA receives a relatively low level of operating subsidies for education and other services.³¹ Exhibit 3.10 demonstrates that the GTA subsidizes the rest of the province by about \$2,300 per household.

The Task Force does not believe that Greater Toronto should provide any additional subsidy to the rest of the province, especially through sharing of its commercial and industrial education property tax base. The property tax is a local revenue source that should not be shared across the province as are income or sales taxes.

³¹ Greater Toronto Co-ordinating Committee, "Rethinking the Fundamentals: Provincial-Local Finances in the Greater Toronto Area" (January 1995).

EXHIBIT 3.10: HOW THE GTA SUBSIDIZES THE REST OF ONTARIO



Source: "Rethinking the Fundamentals" (January 1995).

Instead of province-wide pooling, the Task Force recommends region-wide pooling of education taxes within Greater Toronto. Under region-wide pooling, all education property tax revenue raised from businesses in Greater Toronto would fund education in Greater Toronto. None of the revenue would be redirected to subsidize school boards outside of the region.

The City of Toronto objects to tax pooling as a levelling-up approach and has recommended instead that all commercial and industrial taxes be de-pooled. The crux of the City's argument is that pooling creates only the appearance of a relatively wealthy Board of Education in Metro and masks the need for additional provincial grants in relatively assessment-poor cities within the region. In its submission to the Task Force, the City of Toronto argues that taxes should be de-pooled and additional provincial grants should be directed to school boards in York, East York, and Scarborough, where the local tax base is too weak to provide education services up to the provincial standard.

There are two main problems with the City of Toronto's suggested approach. First, it assumes that each local school board should have exclusive jurisdiction over the local property tax base. We support an alternative view that the non-residential tax base should be shared by all boards of education in the region because the benefits of education are broadly distributed among the region's

residents and businesses. We also support the notion that, from the perspective of tax equity, businesses should pay the same rate of tax for education across the entire region. Second, the City's proposal is unrealistic in that it is based on the unlikely proposition that the Province will deploy an additional \$433 million in grants to GTA school boards at the same time as it has proposed a \$400 million reduction in its total education grants.³²

Recommendation 7

Commercial and industrial education taxes should be pooled across Greater Toronto and uniform commercial and industrial education tax rates should be created across the entire region.

The Task Force considered, and rejected, the idea of pooling residential education property taxes region-wide. While businesses derive the same level of benefits from education across the region, households do not. The benefits that households derive from education will vary across municipalities or even neighbourhoods. Residents will not derive the highest possible benefit from education in their community unless they can express local preferences that are reflected in local taxation and spending decisions. Furthermore, full regional control would limit local autonomy and flexibility in program spending. A centralized body is less able to understand and accurately reflect the needs of each local school board. Pooling residential taxes might also infringe upon the constitutional rights of separate school supporters. Traditionally, separate school boards have raised funds from their supporters through the property tax.

In recognition of these potential problems, residential education property taxes should not be pooled region-wide and local school boards should continue to have access to their respective local residential tax bases.

Region-wide pooling of non-residential education property taxes will have to be accompanied by education governance changes. Since education governance was beyond the Task Force's mandate, we present options on the subject, instead of proposing a single, detailed model. These options can be found in Section 6.7.

Education property tax revenues will be allocated according to a new, GTA-wide costing and allocation formula. We believe that the central issues in the allocation of non-residential property tax revenues are controlling costs not directed at the classroom (such as administration) and providing resources to schools that adequately recognize the special needs of its students. Controlling

The Implications of Pooling

³² The Ministry of Municipal Affairs and Housing calculated that commercial and industrial school tax reductions of about \$433 million are necessary to establish an average equalized non-residential education tax level throughout the GTA.

administration and other non-classroom spending will ensure that the region receives the highest level of education possible at the lowest cost to taxpayers.³³ Recognizing special student needs will help preserve the quality of education in the core and the region's attractiveness to businesses and people.

Schools in different parts of the GTA face different costs, depending on their location and student population. As an important and relevant example, local demographic characteristics, such as non-English speaking or economically-disadvantaged students, have been proven to affect education costs in Ontario and other jurisdictions. Metropolitan Toronto stands out in Ontario, and in the GTA, as a region whose demographic characteristics necessitate above-average spending levels.

Net funding allocations to the school boards will have to be calculated with reference to local taxing capacity. It would be inequitable for the region to allocate grants without taking into account the ability of each local school board to generate revenues from its respective residential tax base. If the region were to ignore local revenue capacity, students in school districts with access to relatively lucrative tax bases would benefit from relatively high levels of education, and homeowners across the region would not be taxed in accordance with their ability to pay.

While our timeframe did not permit development of a detailed costing and allocation formula, we wish to emphasize the importance to the region's prosperity of designing a new grant formula based on the key themes and principles outlined above. If the region fails to recognize unique educational needs, inflated education tax rates or declining education service, or both, will drive businesses and people out of the urban core.

Recommendation 8

A new regional education allocation formula that accurately reflects per-student costs and clearly delineates various recognized expenditure categories should be introduced. The new allocation formula should adequately reflect student needs and demographic characteristics which affect education costs.

Pooling non-residential education taxes across the region could result in businesses outside of Metro facing large tax increases. If the total education tax

³³ The quality of education in the core has been identified as a top priority because an educated and skilled population, fundamental to the economic health of the core, will want to live and raise children in a region that delivers first-class education services.

burden on commercial properties in the GTA, as well as the burden on industrial properties in the GTA, were each held constant, the largest commercial property tax decreases would occur in the City of Toronto at -5.8 percent. Industrial taxes would fall by 15.7 percent in the Borough of East York. Meanwhile, taxes in outer GTA regions would increase. Vaughan's commercial ratepayers would face the largest increase in the region at 52.2 percent, while industrial properties located in Pickering would face tax increases of 27.4 percent.³⁴

Potentially large tax increases should be moderated by decreasing the amount of money the GTA raises for education from the non-residential tax base, and by phasing in increases over several years. Instead of redistributing the current non-residential education tax burden, GTA school boards should redistribute a reduced non-residential tax burden. The amount that GTA school boards stand to lose from this reduction should be recovered through a tax increase on residential property in GTA municipalities.³⁵ This approach would limit the impact on outer GTA businesses, reduce the bias against non-residential property currently built into the assessment system, and reduce commercial and industrial property taxes in the GTA.³⁶

Accordingly, the Task Force proposes that the current education mill rate bias against non-residential property be eliminated. Correcting the 15 percent mill rate differential between residential and non-residential property reduces the amount raised from non-residential property by about \$125.7 million.

Recommendation 9

To dampen the tax impacts of pooling non-residential education property taxes, the 15 percent education mill rate bias against non-residential property relative to residential property should be eliminated.

Exhibit 3.11 shows the impacts on commercial and industrial properties that result from pooling a reduced non-residential education tax burden. Commercial property taxes would increase by more than 40 percent in four of the 30 GTA municipalities; most of the municipalities for whom taxes would rise would experience increases of below 20 percent. The maximum commercial tax reduction is 8.5 percent in the City of Toronto. We propose that the increases and decreases be phased in over a five-year period so that the maximum property tax increase in any year is limited to less than 10 percent annually.

³⁴ All education tax impacts are based on an education pooling model created by Hemson Consulting for the GTA Task Force's analysis of policy options.

³⁵ Given the recent provincial announcement that grants to school boards will be cut by \$400 million, we assume that provincial grants will not make up this shortfall. If anything, cuts in grants will exacerbate the shortfall.

³⁶ Under our proposal for variable mill rates, some municipalities will also be able to adjust the impact on different classes by varying mill rates for municipal services. Municipalities can dampen any impact on residential properties within the established bands.

REFORMING THE PROPERTY TAX

EXHIBIT 3.11: IMPACT OF POOLING PROPOSAL ON COMMERCIAL AND INDUSTRIAL PROPERTY TAXES

| MUNICIPALITY | COMMERCIAL TAX IMPACT | INDUSTRIAL TAX IMPACT |
|--------------------------------|--------------------------|--------------------------|
| CITY OF TORONTO | -8.5% | 14.3% |
| CITY OF ETOBICOKE | -2.4% | -18.1% |
| CITY OF SCARBOROUGH | -3.3% | -17.6% |
| CITY OF NORTH YORK | -7.7% | -16.6% |
| CITY OF YORK | 0.7% | -16.9% |
| BOROUGH OF EAST YORK | -3.7% | -18.5% |
| CITY OF OSHAWA | 0.2% | -15.6% |
| TOWN OF AJAX | 19.1% | 12.9% |
| TOWN OF PICKERING | 19.5% | 20.7% |
| TOWN OF WHITBY | 13.1% | 7.1% |
| MUNICIPALITY OF CLARINGTON | 15.7% | -2.9% |
| TOWNSHIP OF BROCK | 9.6% | -0.4% |
| TOWNSHIP OF SCUGOG | 16.4% | 4.2% |
| TOWNSHIP OF UXBRIDGE | 1.9% | -16.4% |
| CITY OF BURLINGTON | 25.2% | 1.6% |
| TOWN OF HALTON HILLS | 25.0% | 1.5% |
| TOWN OF MILTON | 19.1% | 15.5% |
| TOWN OF OAKVILLE | 30.9% | -0.7% |
| CITY OF BRAMPTON | 18.1% | 1.6% |
| CITY OF MISSISSAUGA | 12.4% | 14.3% |
| TOWN OF CALEDON | 39.3% | 1.0% |
| CITY OF VAUGHAN | 45.3% | 9.1% |
| TOWN OF AURORA | 42.4% | -3.6% |
| TOWN OF MARKHAM | -1.3% | 5.0% |
| TOWN OF NEWMARKET | 18.6% | 0.9% |
| TOWN OF RICHMOND HILL | 24.2% | 8.0% |
| TOWN OF WHITCHURCH-STOUFFVILLE | 58.0% | 5.0% |
| TOWN OF EAST GUILMBURY | 43.2% | 11.5% |
| TOWN OF GEORGINA | 6.8% | 2.4% |
| TOWNSHIP OF KING | 11.4% | -1.5% |

Note 1: Tax impacts are on total property taxes, including municipal and education portions. Adjusted tax impacts determined by applying existing education tax share for 1994 to the percentage change for each class resulting from the pooling scenario.

Note 2: Pooling scenario involves elimination of mill rate differential between residential and non-residential classes and assumes a common equalized mill rate for commercial properties (class 3) and industrial properties (class 4) across the GTA.

Note 3: Mill rates and assessment data by class for 1994 provided by the Ontario Ministry of Municipal Affairs and Housing.

REFORMING THE PROPERTY TAX

To illustrate the current and unjustified differential tax treatment of non-residential properties in the GTA, we looked at similar properties on different sides of Steeles Avenue. Exhibit 3.12 shows realty taxes on actual properties before and after pooling.

EXHIBIT 3.12: EXAMPLES OF HOW POOLING HELPS NARROW THE TAX GAP

• BETWEEN SIMILAR INDUSTRIAL PROPERTIES IN NORTH YORK AND VAUGHAN

| NORTH YORK | |
|-----------------------------|----------|
| BUILDING AREA (SQ. FT.) | 19,216 |
| REALTY TAXES BEFORE POOLING | \$34,810 |
| REALTY TAXES AFTER POOLING | \$29,031 |

| VAUGHAN | |
|-----------------------------|----------|
| BUILDING AREA (SQ. FT.) | 21,718 |
| REALTY TAXES BEFORE POOLING | \$25,912 |
| REALTY TAXES AFTER POOLING | \$28,270 |

• BETWEEN SIMILAR INDUSTRIAL PROPERTIES IN SCARBOROUGH AND MARKHAM

| SCARBOROUGH | |
|-----------------------------|-----------|
| BUILDING AREA (SQ. FT.) | 54,026 |
| REALTY TAXES BEFORE POOLING | \$135,827 |
| REALTY TAXES AFTER POOLING | \$111,921 |

| MARKHAM | |
|-----------------------------|----------|
| BUILDING AREA (SQ. FT.) | 48,452 |
| REALTY TAXES BEFORE POOLING | \$66,255 |
| REALTY TAXES AFTER POOLING | \$69,568 |

• BETWEEN SIMILAR OFFICE BUILDINGS IN SCARBOROUGH AND MARKHAM

| SCARBOROUGH | |
|-----------------------------|-----------|
| BUILDING AREA (SQ. FT.) | 47,151 |
| REALTY TAXES BEFORE POOLING | \$344,995 |
| REALTY TAXES AFTER POOLING | \$333,610 |

| MARKHAM | |
|-----------------------------|-----------|
| BUILDING AREA (SQ. FT.) | 51,390 |
| REALTY TAXES BEFORE POOLING | \$294,895 |
| REALTY TAXES AFTER POOLING | \$291,061 |

• BETWEEN SIMILAR FAST FOOD RESTAURANTS IN NORTH YORK AND VAUGHAN

| NORTH YORK | |
|-----------------------------|----------|
| BUILDING AREA (SQ. FT.) | 2,753 |
| REALTY TAXES BEFORE POOLING | \$20,600 |
| REALTY TAXES AFTER POOLING | \$19,014 |

| VAUGHAN | |
|-----------------------------|----------|
| BUILDING AREA (SQ. FT.) | 2,212 |
| REALTY TAXES BEFORE POOLING | \$8,840 |
| REALTY TAXES AFTER POOLING | \$12,845 |

Notes: Actual taxes from Assessment Division, Ontario Ministry of Finance.
Tax calculations based on pooling impacts presented in Exhibit 3.11.

Before pooling, taxes on buildings with a similar use and comparable size are much lower on the north side of Steeles (York Region) than they are on the south side (Metro Toronto). For example, a 2,753 square foot fast food restaurant in North York currently attracts \$20,600 in realty taxes, while a similar fast food restaurant in Vaughan (2,212 square feet) attracts only \$8,840.

After pooling, taxes would be still higher in Metro but the tax gap is much narrower. For example, taxes on the restaurant in North York would drop from \$20,600 to \$19,014 and taxes on the restaurant in Vaughan would increase from \$8,840 to \$12,845. As another example, realty taxes on a 54,026 square foot industrial building in Scarborough would fall from \$135,827 to \$111,921, while a similar industrial building (48,452 square feet) in Markham would increase from \$66,255 to \$69,568.

Our proposal for pooling non-residential education taxes will also affect residential education property taxes across Greater Toronto. The actual level of residential education tax increase or decrease resulting from correction of the mill rate bias and pooling will depend on the new grant allocation method. Correction of the mill rate bias alone results in an aggregate increase of approximately 3.36 percent on residential property across the region. Pooling will either dampen or exaggerate this increase, depending on whether the municipality currently has high or low residential tax rates. On balance, residential taxes in Metro are likely to rise and residential taxes in many outer-GTA regions will fall. This is because, as demonstrated in Exhibit 3.4, residential tax rates relative to commercial tax rates are higher in the outer GTA than they are in Metro. Residential education property taxes will also depend on school spending decisions.

In this chapter we have focused on property tax reforms that will solve the assessment appeal crisis and reduce business tax inequities. The next chapter discusses ways of planning and managing growth to reduce infrastructure costs and help lower the level of property taxes over time.

SHAPING THE CITY-REGION

"Compact and efficient urban form is a big competitive advantage in a globally connected world."

Professor Michael Goldberg, 1995

4.1 THE \$55 BILLION QUESTION

If development patterns in the GTA continue as they have for the past 25 years, about \$55 billion of capital investment will be required over the next 25 years to build new road, sewer, and water networks to service the anticipated growth.¹ This \$55 billion does not include the costs of maintaining and operating new infrastructure, estimated at \$14 billion over the next 25 years. Nor does it include the hidden but substantial costs associated with increased traffic congestion, pollution, and urban land consumption.

Much of the infrastructure needed to support the GTA's anticipated growth is already in place. Failure to use this existing infrastructure to capacity will result in unnecessary capital investments in new infrastructure and additional maintenance and operation costs for this infrastructure.

A more compact and efficient development pattern could save an estimated \$12.2 billion in hard infrastructure capital costs over the next 25 years. These potential savings represent roughly 22 percent of the projected \$55 billion capital investment required to sustain current development patterns. This translates into annual savings of about \$500 million in capital and maintenance expenses alone. An additional \$200 million could be saved in costs related to air pollution, health care, and policing associated with automobile accidents. When lower congestion, parking, and land acquisition costs are also factored in, the total annual cost savings of containing sprawl are about \$1 billion annually.

The Task Force based its estimates of savings from alternative development patterns on a review of the literature, analyses of comparative costs in the GTA, and updated cost estimates from the 1990 "GTA Urban Structure Concepts Study."² This research confirms that the basic physical

¹ This is based on revised IBI Group estimates, as presented in "The Economics of Urban Form" (Prepared for the GTA Task Force by Pamela Blais of Berridge Lewinberg Greenberg Dark Gabor Limited, September 1995).

² Based in part on the IBI Group, "GTA Urban Structure Concepts Study Revisited: Broad Revision of Selected Cost Estimates" (August 1995), with some revisions, all as described in "The Economics of Urban Form."

structure of the city-region, or urban form, significantly affects the level of capital and operating costs of municipal infrastructure, as well as external costs related to pollution, traffic congestion, and land acquisition.

**EXHIBIT 4.1: COMPARISON OF COST SAVINGS FOR DIFFERENT DEVELOPMENT PATTERNS
(25 YEAR COSTS, \$BILLIONS IN 1995)**

| | COSTS | URBAN FORM SCENARIO | SPREAD | NODAL/ COMPACT | SAVINGS: NODAL/COMPACT VS SPREAD |
|---------------|--|---------------------|--------|-------------------|-------------------------------------|
| | | | | | |
| OVER 25 YEARS | CAPITAL | | \$54.8 | \$45.1 | \$9.7 |
| | OPERATING AND MAINTENANCE | | \$14.3 | \$11.8 | \$2.5 |
| | TOTAL 25 - YEAR COSTS | | \$69.1 | \$56.9 | \$12.2 |
| ANNUAL | CAPITAL COSTS | | \$2.2 | \$1.8 | \$0.4 |
| | OPERATING AND MAINTENANCE COSTS | | \$0.6 | \$0.5 | \$0.1 |
| | EXTERNAL COSTS INCLUDING AUTO RELATED HEALTH, POLICING POLLUTION, CONGESTION, LAND COSTS | | \$1.2 | \$0.7 | \$0.5 |
| | TOTAL AVERAGE ANNUAL COST SAVINGS | | | | \$1 BILLION |

Source: Pamela Blais, "The Economics of Urban Form" (September 1995).

4.2 THE BENEFITS OF MORE COMPACT URBAN FORM

A compact or "nodal" development pattern is one in which shopping, offices, services, schools, recreation, and parks are located close to transit and housing. The overarching aim of this form of development is to create more complete communities that offer a full range of employment and leisure opportunities for residents.

EXHIBIT 4.2: MAJOR NODE FROM HALTON'S OPPORTUNITIES STUDY



Source: A.J. Diamond, Donald Schmitt and Company and McCormick Rankin & Associates Limited, "The Region of Halton Opportunities Study" (Final Report, April 1992), p. 23. This illustration shows development that ranges between .5 and 2 times site area, or between 10 and 75 dwelling units per acre.

Compact Development

The nodal form of development builds on existing communities and their infrastructure. It provides for continuing population and employment growth in the suburban and the central built up areas, while stressing compact, mixed use communities which would favour urban transit, walking, and cycling for many trips. It also recognizes the rural areas that exist within the GTA.

The nodal form also provides the greatest range of choice in terms of population density and housing types, community size and character, suburban and downtown living styles, transportation modes, and integrated delivery of services.

From "Running the GTA Like a Business"
Submission to the GTA Task Force by the City of Mississauga

Economic Benefits

Studies commissioned by the Task Force show a clear link between urban form and the cost of infrastructure. These studies confirm that the capital, operating, and indirect costs of local roads and services, arterial roads, expressways, transit, sewer, and water networks are closely related to density and to patterns of development.

In general, lower densities mean higher infrastructure costs per dwelling unit or per capita. This is because in lower density development, a larger area per person is required to accommodate a given population and a larger area network of infrastructure must be serviced. The costs are also influenced by community design and the extent to which there is a mix of building types. In lower density areas, where distances between destinations are greater, there are longer trips, on average, per household, which necessitates more road capacity. In such areas, transit is less able to compete with the automobile, and opportunities for walking and cycling are limited.³

Re-urbanization, or the redevelopment of already urbanized areas, can also save money by making use of existing infrastructure to service new development. In those urban areas where population levels have declined, excess infrastructure capacity can be used more efficiently.

In Metro Toronto alone, there are an estimated 11,000 acres (4,500 hectares) of vacant or under-used land⁴ which, if developed at existing Metro densities, could accommodate 200,000 new residents and 100,000 new jobs. Much of the regional infrastructure needed to support this development (major roads and expressways, sewer and water trunks, hospitals) and much of the local infrastructure (local road, schools, community facilities, and libraries) is already in place.

As well as reducing infrastructure and transportation costs, efficient urban form can increase productivity and reduce the costs of doing business. As outlined in the earlier discussion of the GTA economy, businesses need efficient road networks to move goods and people quickly and reliably across the region. In an era of just-in-time delivery, efficient movement between different points of the city-region is essential. Lost productivity due to traffic congestion costs businesses in the GTA an estimated \$2 billion annually.⁵ The continuation of inefficient growth patterns will only increase those costs.

The solution to these problems is not to build more roads, but to make better use of existing roads and services. We cannot afford to waste existing infrastructure, nor can we afford the prohibitive costs of additional road

3 *Ibid.*

4 IBI Group, "GTA Urban Structure Concepts Study Revisited: Broad Revision of Selected Cost Estimates" (Report prepared for the GTA Task Force, August 1995).

5 Ministry of Transportation, "Towards a Greater Toronto Area Transportation Plan: the Challenges" (August 1995), p. 4.

widenings and land acquisitions. The best way to reduce the cost and increase the efficiency of infrastructure is through more compact development that places mixed-use building centres along transit corridors, thus allowing more efficient use of transit systems and at the same time reducing congestion on existing roads.⁶

One of the key reasons for the efficiency of Toronto's downtown has been significant increases in the level of new residential development over the past two decades. Recent studies have demonstrated a direct link between the number of people living downtown (the result of the Central Area Plan implemented by the City of Toronto in recent years) and the level of commuter traffic coming into the downtown during rush hour.⁷

People who live in more compact development often take advantage of transportation options that are free and widely available by walking or biking to their destinations because residential neighbourhoods are close to employment, shopping, and recreational amenities. Moreover, compact and mixed-use development benefits businesses that often depend on face-to-face contact with customers and other businesses. Proximity offers valuable opportunities for interaction and acts as a catalyst to innovation and the sharing of ideas.⁸

The concentration of businesses in a small area also promotes spin-off service enterprises. Among the reasons that *Fortune* Magazine's 1995 survey ranked Toronto as one of the top ten cities in the world in which to do business are that the city's businesses enjoy proximity to other businesses and services and that the city also offers high quality cultural amenities, recreational facilities, and affordable, attractive residential neighbourhoods nearby.

More compact development also fosters a higher quality of life. Urban neighbourhoods that are attractive and safe places tend to be characterized by mixed land use patterns. Being able to walk to the corner market, cycle to work, or enjoy a variety of entertainment and cultural activities within a few blocks of home are among the benefits people associate with city life.

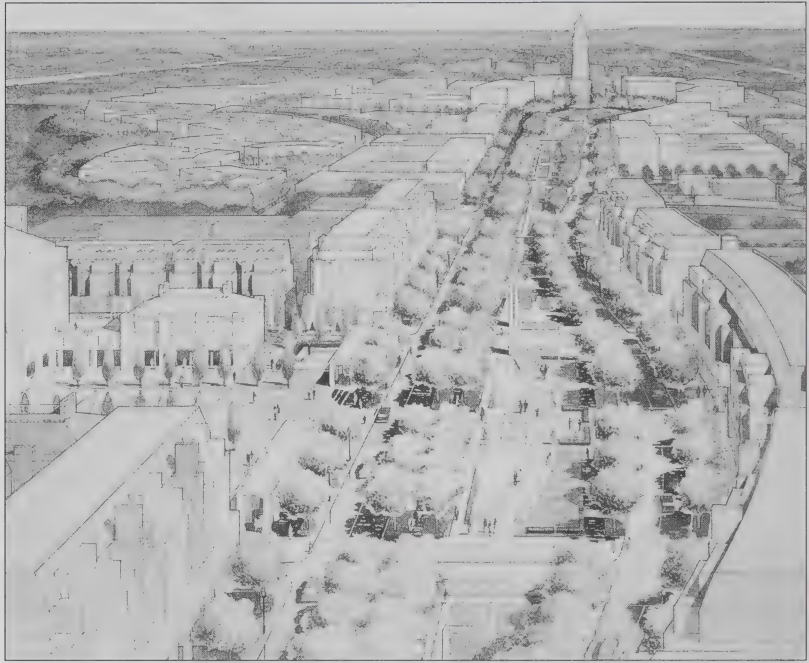
Quality of Life Benefits

6 One example is the Brampton Official Plan, which proposes continued heritage preservation and redevelopment of the city's downtown core and the Queen Street corridor. The core is centred on the city's new Civic Centre, Gage Park, and a new major market/office development. Downtown Brampton is served with transit facilities by the Brampton GO station and the adjacent downtown transit terminal.

7 David M. Nowlan and Greg Stewart, "Downtown Population Growth and Commuting Trips: recent experience in Toronto," *Journal of American Planning Association* (vol. 57, no. 2, Spring 1991), pp. 165-182; David M. Nowlan, "The Effect of Central Area Jobs and Homes on Cordon Crossing: an update of the nexus relationship" (Study for Central Area Transportation Review for the Municipality of Metropolitan Toronto, January 1995).

8 Giovanni Dosi, "Sources, Procedures and Microeconomic Effects of Innovation," *Journal of Economic Literature* (vol. 26, September 1988), pp. 1120-1171.

EXHIBIT 4.3: COMPACT, MIXED-USE DEVELOPMENT



Source: Michael Morrissey, "Perspective View of the Mall," reproduced in "Markham Centre Study" (Town of Markham, August 1994).

For some people, the notion of compact development conjures up visions of high-rise jungles and overcrowding. But well designed compact areas can be composed of single-detached dwellings, along with many other forms of housing. These areas also offer a variety of recreational areas, commercial space, and entertainment venues all within the same neighbourhood.

In several suburban areas in and around the GTA⁹ current residential densities are being doubled without moving away from more traditional housing types. As Exhibit 4.4 shows, relatively small increases in the floor area ratio (FAR) — the ratio of building floor area to the size of the lot — greatly reduce the area required to house people.¹⁰

Compact urban form protects valuable rural as well as urban land. Inefficient forms of development encourage urban sprawl, which encroaches on prime agricultural land and results in the loss of highly valued public greenspace.¹¹

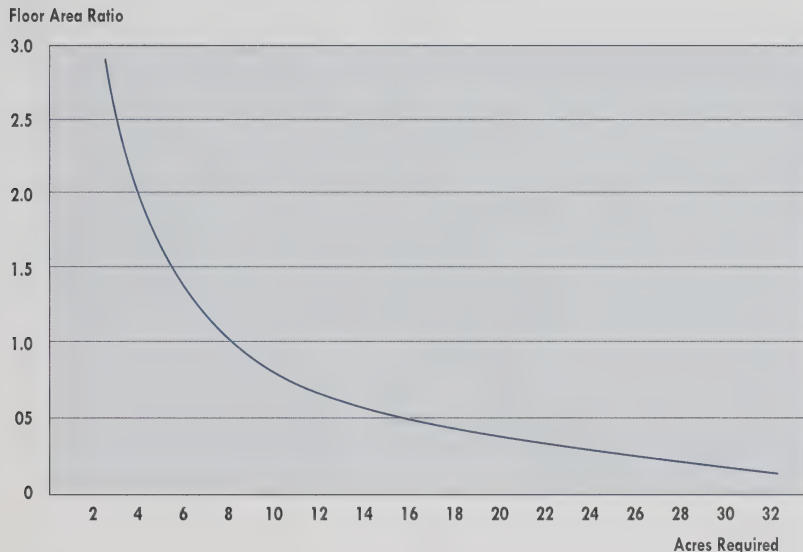
9 Examples are the Village of Morrison in Oakville and Montgomery Village in Orangeville.

10 A.J. Diamond, "Residential Density and Housing Form," *Journal of Architectural Education* (vol. 29, no. 3, February 1976), pp. 15-17.

11 See Michael Bunce, *The Countryside Ideal* (London and New York: Routledge, 1994).

Many rural municipalities, such as the Town of Caledon, support a GTA policy towards more compact urban form as a way of protecting their unique rural character.¹² Compact form, along with a clearly delineated rural and urban boundary, can also protect the network of river valleys, trails, and waterfronts that enhance the region's quality of life.

EXHIBIT 4.4: DENSITY LAND / CONSUMPTION CURVE



Note: The curve represents the relationship between the area of land required to house 1000 people at a variety of densities.

Transit-supportive and higher density urban form can reduce the amount of greenfield acres taken for development and also decrease the need for infrastructure requirements and public spending. Such compactness also promotes a “live-work” development philosophy where people can work and live in the same community. This “live-work” philosophy can provide major savings in service delivery costs.

Policies to support compact development are already contained in existing regional and many local official plans. These plans generally agree that future development should be concentrated in existing or proposed urban centres or along major transportation corridors. However, many of the region's current policies, funding, and management processes work against the achievement of more compact urban form.

¹² “Caledon – A Unique Community” (Draft Submission by the Town of Caledon to the GTA Task Force Concerning Reform in the GTA, September 27, 1995).

4.3 THE CASE FOR INTEGRATED PLANNING

Barriers to Efficiency

The major barrier to a more efficient development pattern is the absence of integrated planning across the city-region. As many submissions to the Task Force confirmed, Greater Toronto is in need of a plan that integrates urban growth patterns with efficient region-wide infrastructure investment.

Urban planning and management within the GTA are divided three ways: *functionally* by urban element; *geographically* by regional and local municipal boundaries; and *hierarchically* by provincial, regional and local municipal jurisdiction.

The city's division by *function* corresponds to the different city departments, which are administratively fragmented. Transit, roads, and traffic are the domain of transportation planners; buildings are the responsibility of city planners; municipal infrastructure belongs to public works; parks and recreation have their own department; river valleys and natural areas fall under the conservation authorities; and economic development is often managed separately from all these areas. Such functional divisions do not adequately recognize the inter-relationship among these administrative areas, and this often leads to inadequate coordination and poor decision-making.

Division by *geography* also creates problems of coordination. In Greater Toronto, there are 35 planning departments employing over 850 people at the local level and approximately 200 people at the regional level. Their combined annual operating budgets are more than \$130 million and account for about two percent of municipal spending.¹³ In the absence of a region-wide coordinating body, these geographical divisions along municipal and regional lines result in uncoordinated planning and, even worse, competitive planning between municipalities.

Finally, planning responsibilities are divided *hierarchically* among the Province regional, and local municipalities. The Province alone employs an estimated 130 planning and review staff in a number of different ministries.¹⁴ Planning within the GTA has become "fragmented, compartmentalized, and complex" with the involvement of three levels of government.¹⁵

The current structure breeds a complicated and lengthy development approvals process and involves extensive duplication, both in the processing of development applications and in the policy-making functions of planning departments. Local municipalities devote significant resources to studying common issues, such as housing, economic development, and environmental matters — areas where a

13 The Municipality of Metropolitan Toronto, "Metro Planning, Key Facts – 1995" (September 1995) and The Canadian Institute of Public Real Estate Companies, "Regulatory Duplication in the Planning Process" (September 1995).

14 The Ministries of Municipal Affairs and Housing, Natural Resources, Environment and Energy, and Transportation, as well as the Office for the Greater Toronto Area, all have planning and review staff with responsibilities in the GTA.

15 The Canadian Institute of Public Real Estate Companies, "Regulatory Duplication in the Planning Process" (Submission to the GTA Task Force, September 1995).

collaborative approach would clearly improve efficiencies and allow for the development and concentration of greater expertise.¹⁶ The regions, meanwhile, develop plans but lack the tools or power to implement them.

The longstanding and vigorous debate over the extension of rapid transit lines illustrates the need for a coordinated infrastructure strategy for all of Greater Toronto.¹⁷ To address these and other infrastructure problems, we need an integrated approach to planning that allows for more strategic and creative investments in infrastructure.

More coordinated and strategic planning would allow for more creative and cost-conscious decisions on how to invest in infrastructure. Investments in hard infrastructure, for instance, can often be replaced with “smart” approaches, such as managing transportation demand rather than investing in expensive new roads, encouraging tele-working rather than commuting, and using “smart” buses in dedicated lanes on regular roads with advanced signalling capability rather than building new subways.

There are also many infrastructure projects that contribute to the Greater Toronto economy, particularly in the cultural, media, and tourism industries. Indeed, the cost of infrastructure to support arts and culture often pales beside the costs of transit and freeway investment. It is worth noting that the combined accumulated deficits of the Canadian Opera Company, the National Ballet, the Canadian Stage Company, the Toronto Symphony Orchestra, and the capitalized operating shortfall of Harbourfront (totalling \$87.4 million) are less than the cost of building one kilometre of subway line.

While these projects compete for the same public funds, there is now no means of comparing their relative contributions to the region or assessing their merit on this basis. Such comparisons can and should be made at the GTA level, where the full range of potential infrastructure investments can be evaluated in terms of their ability to meet the region’s goals.

The concentration of major infrastructure responsibility at the GTA level would require appropriate region-wide protocols and procedures for public-private partnerships in infrastructure financing. As the chapter that follows will demonstrate, other jurisdictions have enthusiastically embraced privatization and managed to protect the public interest by ensuring that privatization agreements

Strategic Investment in Infrastructure

16 For example, in response to the Provincial Housing Policy Statement, local municipalities within the Greater Toronto Area have developed separate but similar housing statements. The Region of Ottawa-Carleton, recognizing this problem, has an innovative approach to ensure that work is not duplicated among its regional and local planning staff.

17 For instance, a “transit-first” policy for the GTA could establish transit modal split targets and a requirement that all road projects be undertaken in conjunction with transit improvements that move the transportation system towards those targets. See Consulting Engineers of Ontario, “A Transit Vision for the GTA” (Submission to the GTA Task Force, October 1995).

are governed by financial, policy, and regulatory rules that are monitored diligently. Again, such monitoring functions should be undertaken at the GTA level.

Recommendation 10

Given the importance of effective infrastructure development to the region's economic competitiveness, the Greater Toronto Council* should take responsibility for providing major infrastructure in the city-region, including:

- undertaking cost-benefit analysis to identify those infrastructure projects that support integrated and strategic planning region-wide;
- ranking infrastructure investments in order of priority;
- identifying opportunities for innovation in, and simplification of, infrastructure requirements; and
- establishing clear policies and procedures for public-private partnering in the provision of infrastructure.

* As described in Chapter 6.

Environmental Planning

Sound environmental planning processes can also promote cost and other efficiencies in the development of infrastructure. But because the *Environmental Assessment Act* is an outmoded, unnecessarily prescriptive, and onerous piece of legislation, it adds tremendous time and dollar costs to municipal infrastructure projects.¹⁸

Designed originally to assess the environmental impact of specific major infrastructure projects such as hydro transmission lines, highways, and waste disposal facilities, the *Environmental Assessment Act* has evolved to parallel the *Planning Act* as an overall master planning process. Although the *Environmental Assessment Act* has not been subject to an external review,¹⁹ the Commission on Planning and Development Reform examined the duplication at length and made a nine-part recommendation designed to clear up this confusion. Unfortunately Bill 163 did not adequately resolve the problems with the *Act*.²⁰

Although a thorough external review of the *Environmental Assessment Act* is needed, the Task Force is recommending that the Province pilot a targeted review of the *Act* to deliver, in a timely fashion, environmentally sound decisions on urban infrastructure.

18 In Metro, for example, studies for the six transit projects and new storage and maintenance facilities cost \$21.7 million (Environmental Assessment studies, 1990-1995, TTC estimates).

19 The Ministry of the Environment in 1988 initiated an internal review called Environmental Assessment Progress Improvement Project (EAPIP), which is still ongoing.

20 *Final Report of the Commission on Planning and Development Reform in Ontario*, "New Planning for Ontario," John Sewell, Chair (Toronto: Queen's Printer, 1993).

This review should concentrate on :

- eliminating duplication with the *Planning Act*;
- shifting the emphasis of the *Act* away from prescribing process to developing environmentally sound solutions;
- streamlining the process for recurrent and small-scale projects to reduce bureaucracy and over-documentation;
- establishing basic and more narrowly defined criteria that are focused on substance rather than process and that narrow the range of options requiring detailed study; and
- setting clear and specific guidelines at the outset for the scope and process of each environmental assessment.

Recommendation 11

The Province should immediately undertake a targeted review of those provisions of the *Environmental Assessment Act* that are critical to urban infrastructure with a view to simplifying approval processes, eliminating duplication and unnecessary documentation, and delivering environmentally sound decisions. Given the importance of effective infrastructure development to the region's economic competitiveness, this review should be undertaken on an urgent basis and completed within 24 months.

The Task Force accepts the common wisdom that local municipalities are the level of government most accessible and most responsive to the people. Local issues relating to land use and density for specific development proposals, secondary plans for new development and redevelopment areas, urban design, and the multitude of local community planning issues should therefore be addressed at the local municipal level.

The development approvals process should be managed at the local level without extensive review by upper-tier governments. Because the *Planning Act* requires that all approvals conform to local and regional plans, there is little need for subsequent upper-tier review. Access to the Ontario Municipal Board (OMB) provides the Province, regional government, and any affected party with the opportunity to appeal decisions of local councils on questions of official plan conformity.²¹

To provide greater integration and focus, planning for most of the current regional municipal functions should be undertaken at the Greater Toronto

Clarifying Planning Roles

²¹ The appropriate role of the OMB within the region may be worth reviewing once the restructuring of planning responsibilities has taken place.

regional level. At present, all five regional municipalities engage in similar planning activities that include:

- providing a framework for local planning;
- ensuring an adequate supply of developable land;
- defining the urban boundary;
- coordinating transit and land use;
- creating and maintaining regional greenlands systems; and
- financing and provision of non-local infrastructure, such as water and sewage treatment plants.

Assigning these functions to the Greater Toronto level would eliminate the current horizontal fragmentation and duplication of functions between regional municipalities and allow for coordination at the city-region level.

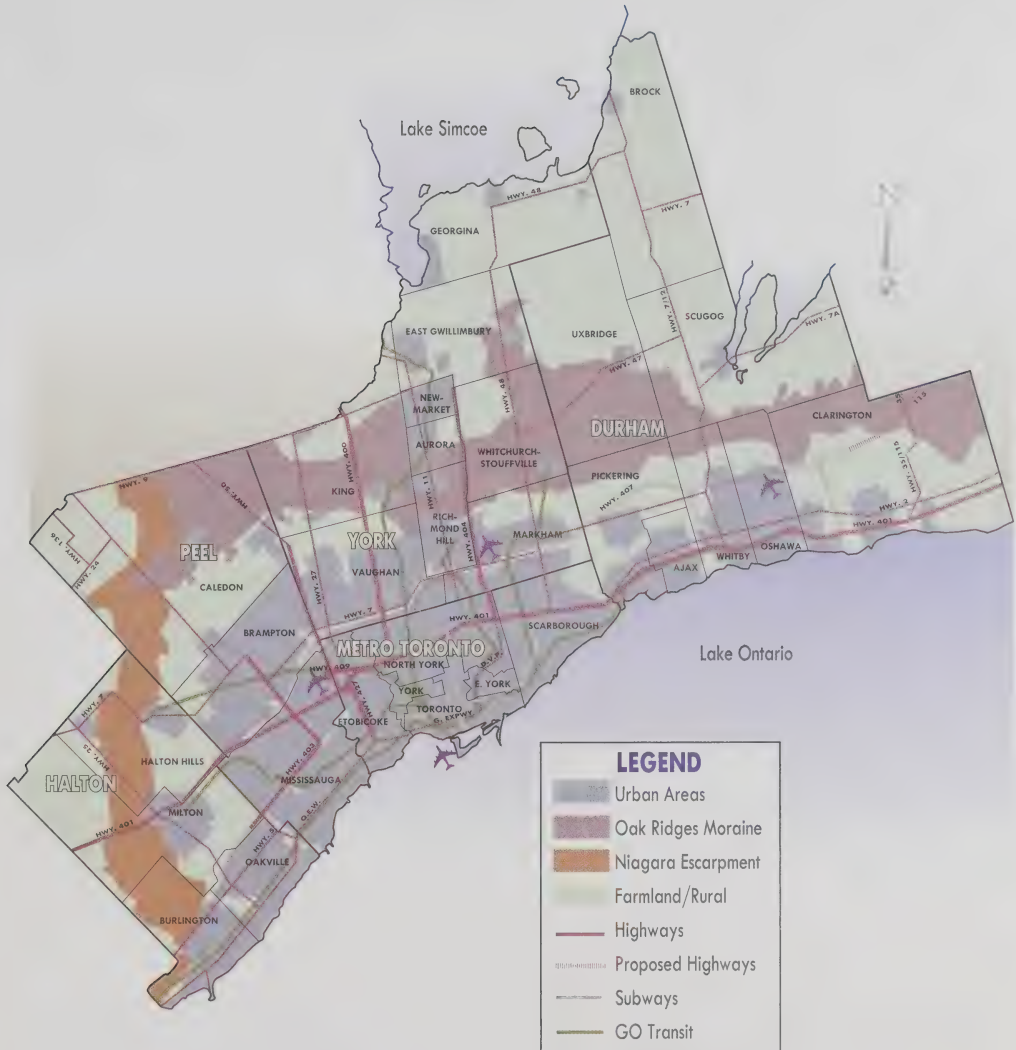
Regional planning should direct infrastructure investment and respond to economic imperatives, such as sponsoring and funding area regeneration. In an era of limited resources and intense competition between city regions, key infrastructure and development investments must be coordinated and ranked in order of importance to ensure that investment decisions are made on a cost-effective basis. This coordination is only possible at the Greater Toronto regional level where a comprehensive perspective on urban structure, transportation, transit, economic competitiveness, and environmental quality can be assured and regional objectives can be integrated and achieved.

Recommendation 12

A Greater Toronto integrated plan should be prepared to set out a broad regional framework and objectives for the management of urban growth, infrastructure investment, economic development, and environmental quality. The new regional plan should accommodate most development in existing urban areas.

SHAPING THE CITY-REGION

CURRENT URBAN FORM OF THE GTA



4.4 REMOVING REGULATORY OBSTACLES

In addition to the lack of integrated planning across the Greater Toronto region, there are many institutional and regulatory obstacles that work against efficient development patterns. These obstacles exist in both the content and the process of development control regulation.

Partly because the policies contained in the development control system are sensitive to current economic conditions, they require constant adjustments in the form of official plan amendments, rezonings, or committee of adjustment decisions. This inhibits innovation in commercial and industrial uses, as well as in residential uses. These adjustment processes are costly, time-consuming, and unnecessary.

Performance-Based Zoning and Standards

Planning policies and objectives are currently achieved through regulating land use rather than activities. This results in rigid zoning and a cumbersome amendment process. A better approach to zoning would be to use performance-based standards in which the objectives of urban development are met directly by regulating activities, rather than indirectly by regulating land use. By focusing on the end rather than the means, performance standards directly address traffic, noise, dust, hazardous materials, vibrations, emissions, and other use-related criteria. Once in place, these performance standards could allow for a wide range of land uses, provided that standards are met. This approach would eliminate the need for constant zoning amendments.

Experiments with performance standards and flexible zoning are already underway in the GTA. Although the historic King-Spadina and King-Parliament areas of Toronto are zoned for industrial use, the City of Toronto has developed a proposal that calls for removing use restrictions from existing zoning bylaws and the Official Plan in order to permit a variety of compatible uses.²² Mississauga is also experimenting with performance standards as it prepares to pass new by-laws permitting some forms of commercial activity in residential areas. These initiatives combine innovation with a concern for high-quality development and respect for local character. The Task Force fully supports these and other performance-based initiatives.

Recommendation 13

Local municipalities should revise their by-laws in order to:

- identify areas where the development approval process leads to unnecessary duplication, inflexibility, and cost; and
- incorporate standards and provisions that support more flexible, compact, and efficient form.

²² Mayor Barbara Hall, "Planning for Revitalization, An Initial Proposal" (October 10, 1995).

The Province and municipalities set development standards for the design and layout of virtually every aspect of urban infrastructure. Over the years, development standards have escalated (increasing road widths and larger school sites, for instance), thus increasing the cost of housing and infrastructure. At present, up to 50 percent of the land area under development is devoted to parks, roads, schools, and public open space. In older communities, about 35-40 percent was the norm.²³

Eliminating Inappropriate Development Standards

EXHIBIT 4.5: DEVELOPABLE LAND AS A PERCENTAGE OF GROSS LAND AREA

| | OLDER COMMUNITIES | | | NEW COMMUNITIES | |
|---|-------------------|--------------|---------------------------|--------------------|--------------|
| | The Beach | Cedarvale | Leaside/ North Toronto | Mississauga Valley | Meadowvale |
| GROSS LAND AREA (HECTARES) | 447.0 | 404.0 | 426.0 | 405.0 | 655.0 |
| PUBLIC OPEN SPACE (ha) | 12.7 | 22.7 | 8.8 | 67.5 | 69.8 |
| (%) | 2.8 | 5.6 | 2.1 | 16.7 | 10.7 |
| SCHOOLS (ha) | 12.4 | 12.3 | 10.2 | 17.5 | 34.8 |
| (%) | 2.8 | 3.0 | 2.4 | 4.3 | 5.3 |
| ROADS (ha) | 135.0 | 105.8 | 148.7 | 122.0 | 165.2 |
| (%) | 30.2 | 26.2 | 34.9 | 30.1 | 25.2 |
| DEVELOPABLE LAND AREA (ha) | 286.9 | 263.2 | 258.3 | 198.0 | 385.2 |
| DEVELOPABLE LAND AS A % OF GROSS LAND AREA | 64.2% | 65.1% | 60.6% | 48.9% | 58.8% |

Note: The Beach community (Queen/Woodbine) has a gross residential density of just over 6,700 residents per square kilometre with less than five percent of the housing units in buildings over five storeys in height. The Leaside/North Toronto community (Eglinton/Bayview) has a gross residential density of 4,900 residents per square kilometre, with almost 70 percent of dwellings in the form of single and semi-detached units. The newer Mississauga Valley community (Huronario near the Mississauga City Centre) has a density of about 6,900 residents per square kilometre with 56 percent of the housing stock in buildings over five storeys. The Meadowvale community (Winston Churchill between Derry and Britannia) has a gross residential density of 5,100 residents per square kilometre with 45 percent of the dwelling units in the form of single and semi-detached homes.

23 Lehman & Associates with IBI Group, Hill & Knowlton/Decima Research, "Urban Density Study, General Report" (Report prepared for the Office for the Greater Toronto Area, March 1995). The above chart comes from the same source.

In newer communities, parks and open space consume a far greater amount of land than is the case in older, more compact areas. The extra 10 to 15 percent of land area for bigger parks and schools in the new communities adds additional and unnecessary land acquisition and maintenance costs.²⁴ While there are many benefits associated with additional parkland and public open space, these post-war development patterns do not result in the most effective use of this public open space.

This extra land has also subtly but significantly decreased the overall density of communities without altering the size of the residential lots or the types of housing. It has, furthermore, increased the charges that developers have to pay for new growth-related services.

At the provincial level, the Ministry of Transportation currently establishes development guidelines for new municipal roads in its "Blue Book." These guidelines do not adequately take into account urban design issues, the additional cost implications for development charges, and environmental concerns. The Ministry of Education, meanwhile, has its own elaborate standards for school buildings and sites, all of which add time, cost, and inflexibility to planning processes. Even though smaller, more efficient combined school/park sites can be designed, the expensive template continues to be used. Complicating matters further are Ministry of Environment and Energy regulations, such as minimum separation distances, which unintentionally inhibit close, compact, mixed use development.

At the municipal level, the fact that each municipality has its own set of design standards and by-laws also adds to the costs and complexity of planning. Research commissioned by the Task Force shows that service standards vary considerably by municipality across the region.²⁵ These variations — the result of how development charges are calculated for each service — are based on the unique traditions of individual municipalities. Municipalities that historically have had high (expensive) service levels are able to incorporate that level in their development charges by-law. Municipalities with historically lower standards often compare their standards with those of other municipalities to make a case for raising their own standards.

This phenomenon substantially increases development charges across municipalities in the region. In many municipalities, residential development charges exceed \$20,000 per unit, which represents a substantial direct cost to the developer or builder and ultimately represents a hidden cost for the consumer as

24 The average new elementary school site is currently six to seven acres, and the average high school fifteen acres, in contrast to school sites ranging from two to four acres developed in the 1950s.

25 C.N. Watson and Associates Ltd., "Discussion Paper re Selected Development Charge Issues" (Commissioned for the GTA Task Force, September 1995).

it ends up being reflected in the price of a new home.

Having recently announced a review of the *Development Charges Act*, the Ministry of Municipal Affairs and Housing should consider establishing its own development charges for service standards since these charges could be set more efficiently at the provincial level. Provincial standards could be established to incorporate joint use of facilities, efficient regional road widths, integrated storm water and park dedications as ways of reducing excessive standards, as well as costs.

Development charges should be based on true-cost pricing for each basic unit type, but they should not be artificially inflated, as is now sometimes the case with individual municipalities setting their own standards. The Province should revise the development standards to achieve consistency, to allow for flexibility with respect to unit type, and to ensure that they accurately reflect costs.

Recommendation 14

The Province should revise existing municipal and provincial infrastructure development standards in its upcoming review of the *Development Charges Act* to ensure that the standards support compact and efficient urban form.

4.5 ELIMINATING MARKET DISTORTIONS

There are several mechanisms that raise revenue to pay for new infrastructure. Currently, none of these mechanisms, which include development charges and user fees, takes the efficiencies of compact urban form fully into account. Substantial cost savings in infrastructure could be achieved by eliminating market distortions in each of these areas.

Development charges are levied to pay for municipal infrastructure needed to support new growth. Because they allow municipalities to charge the developer the full cost attributable to new growth, these charges represent an improvement over the previous ad hoc system that used a combination of “impost” fees, or levies, for some infrastructure and property taxes to pay for the rest of the costs.

Development Charges

The costs of new development fall into three categories. First, the internal or on-site costs of development (the local subdivision roads, water, sewer and stormwater pipes, utilities, grading, parks, and school sites) are built to municipal standards and paid for by the developer directly. The second category is the off-site costs of arterial roads, water, sewer, and storm water facilities that are collected through development charges on a per unit basis. The third category is other off-site costs that are applied on a per capita basis, such as libraries, police buildings, hospitals, and social services.²⁶

When urban form and density are not fully factored into the development charge, a market distortion occurs and inefficient allocation of resources is often the result. Ultimately, the cost of infrastructure, including distortions, is reflected in the prices of housing, labour, factories, offices, warehouses, and goods and services produced in Greater Toronto.

There are two distortions that currently exist in the way development charges are calculated. First, a distortion exists because variations in on and off-site costs for different housing types are not always considered when development charges are calculated. If development charges were to reflect more accurately the actual off-site costs associated with different housing types, development charges for apartment units could be reduced by an estimated \$1,000.²⁷

Under the current *Development Charges Act*, municipalities have the authority to impose charges on new developments (residential, commercial, and industrial) in order to recover the net capital costs of public infrastructure and services to support such development. Eligible costs include infrastructure and services like parkland, sewer and water facilities, library books, municipal vehicles, police, and fire services. The Province is conducting a review of the *Act* to seek “a more equitable way to share costs between new and existing taxpayers” and to re-examine services for which municipalities can currently levy charges.

Another distortion arises out of education development charges. Development charges that help pay for new schools in a municipality are imposed under different rules than development charges for general infrastructure, such as sewers and roads.²⁸ In fact, educational charges are even less sensitive to urban form because they are levied solely on the basis of the number of units in a new development and take no account of different unit types. Thus, an apartment building with 100 units pays the same amount in education development charges

²⁶ Off-site costs include the off-site sewer, water, and road network costs, and fire stations.

²⁷ C. N. Watson (Letter to the GTA Task Force, October 6, 1995). There are fewer off-site sewer, water, and road network costs, reduced water use, and fewer vehicle trips generated by people who live in apartments.

²⁸ The constitutional legitimacy of the education section of the *Development Charges Act* is currently being challenged by the Ontario Home Builders Association before the Supreme Court of Canada.

as a new subdivision with 100 detached bungalows. The current structure ignores the fact that families in the largest single detached homes are more likely to have school-aged children than are people in one-bedroom apartments. This represents a subsidy to low density housing at the expense of more compact and efficient growth. If development charges were to reflect more accurately the actual costs associated with the demographic characteristics and needs of households in different unit types, the education development charges for apartment units could be reduced by an estimated \$1,400.²⁹

Recommendation 15

In its review of the *Development Charges Act*, the Province should revise the regulations under the Act to:

- require municipalities to incorporate full-cost pricing methods into the calculation of municipal development charges; and
- require that calculations of education development charges be based on the differential costs associated with the demographic characteristics and needs of households in different unit types.

For many types of municipal services, user fees can promote more efficient use of resources, allow for long-term planning of infrastructure, and offer an important source of revenue to local municipalities. Full-cost user fees that are based on the consumption of water and sewer services promote resource conservation, cost savings for municipalities, and more efficient urban forms.³⁰ User charges designed to achieve these purposes have been successfully implemented by many local governments across North America.³¹ Because future sewer and water infrastructure is expected to cost as much as \$1 billion, all municipalities should be charging full-cost user fees.³²

User Fees

Vehicle user fees in the GTA include registration fees and fuel taxes and will soon include tolls on Highway 407. Current vehicle charges and fuel taxes do not

²⁹ C.N. Watson (Letter to the GTA Task Force, October 6, 1995).

³⁰ For more detailed summaries of findings from various studies, and further analysis, see *Report of the Ontario Fair Tax Commission*, "Fair Taxation in a Changing World" (Toronto: Queen's Printer, 1993), pp. 575-595.

³¹ For studies on sewer and water pricing, see Marshall, Koenig and Associates, *Background Study on the Pricing of Water and Sewer Services* (Prepared for the Ontario Ministry of Municipal Affairs, 1991); Ontario Ministry of Environment, *Water and Sewer Financing in Ontario: Issues and Options* (Toronto: Queen's Printer for Ontario, 1991).

³² Combined upper-tier and lower-tier operating revenues from water and sewer services in all regions fall short of operating expenditures on these services alone. The gap between revenues and expenditures on these services widens when capital expenditures are included in the calculation.

even support direct expenditures on road construction and maintenance.³³

User fees in the area of transportation have significant cost recovery potential. The cost of private vehicle use includes municipal and provincial road expenditures, as well as the less apparent cost of environmental pollution. Municipalities in the GTA spent \$340.7 million on capital improvements for roadways in 1993 and about \$415 million on operating expenditures.³⁴ The Province also spent about \$215.1 million on provincial highways in the GTA. New or expanded user fees could help recover the public costs of private vehicle use in the GTA.

New or expanded user fees on private vehicles have been introduced successfully in other jurisdictions. British Columbia has applied local fuel taxes since 1980. Their experience with special fuel taxes in the Greater Vancouver Regional District and Greater Victoria District demonstrates that a special fuel tax in a large municipality is indeed feasible. Regional Transit Authorities make recommendations on tax rates to the Province for final approval. Taxes apply to both unleaded gasoline and clear diesel. Current tax rates are 4.0 cents/litre in the Vancouver Region and 1.5 cents per litre in the Victoria Region. The Vancouver Regional fuel tax generates approximately \$78 million on an annual basis.³⁵

Ontario's pending administrative changes for fuel tax reporting and collection will virtually rule out a regional fuel tax or user fees on diesel fuel. To facilitate tax reporting for international truckers and reduce the administrative costs of diesel fuel tax collection, Ontario is scheduled to join the International Fuel Tax Agreement (IFTA) in 1996. Under the terms of the agreement, Ontario will not be allowed to apply more than one diesel fuel tax rate within its borders.

Even if a Greater Toronto fuel surcharge were limited to gasoline and its rate was relatively constrained, it could generate significant revenue for the region. Assuming 1994 levels of fuel purchase within the region, each cent per litre on gasoline would generate approximately \$52.8 million.³⁶ The user surcharge should be capped at a percentage of the provincial gasoline tax rate so as not to impinge on the Province's tax room.

³³ *Report of the Ontario Fair Tax Commission*, p. 569.

³⁴ In 1994, the Province spent \$203.2 million and provided \$122.5 million to Canadian Highways International Corporation through the Ontario Transportation Capital Corporation.

³⁵ Estimate provided to the GTA Task Force by British Columbia Transportation Finance Authority.

³⁶ Estimates by Regional Municipality of Metropolitan Toronto. The recent Report of the Transportation and Climate Change Collaborative, "A Strategy for Sustainable Transportation in Ontario," supports a 2-3¢ litre price surcharge to help move towards fuller cost pricing in order to achieve more cost effective, equitable, and less polluting transportation in Ontario.

Recommendation 16

The Province should allow the Greater Toronto Council to introduce user fees on private vehicles, including a region-wide user fee on gasoline up to a stipulated maximum. Revenues generated from these user fees should be dedicated to transportation and transit infrastructure in Greater Toronto.

4.6 REGENERATING BROWNFIELD SITES

The under-use of urban lands represents a major barrier to the efficient use of existing infrastructure. Nowhere is this under-use more evident than in the case of industrial and commercial properties with known or suspected soil contamination problems. These properties, known as “brownfield” sites, are found throughout the GTA but primarily in Metro Toronto and in the southern portions of Peel and Durham Regions. Brownfield sites are often passed over by developers who are drawn to previously undeveloped “greenfield” sites on the urban fringe.

The practice of developing greenfield over brownfield sites is costly in at least two ways. First, the expense of providing the necessary infrastructure to support greenfield development is difficult to justify when the infrastructure is already in place to service under-used industrial lands. Second, commercial and residential real estate markets in areas surrounding vacant industrial lands tend to remain depressed. This hampers the revitalization of these local economies and increases the demand for social programs and services.

Brownfield sites lend themselves to a variety of redevelopment purposes, ranging from continued industrial applications to parkland and residential use. These uses present challenges in terms of zoning and marketability, but the major barriers to the redevelopment of brownfield sites are undoubtedly financial and legal.

The fundamental equation in nearly all real estate development is risk versus yield. The amount of inherent risk in a project varies depending on its circumstances, objectives and nature, and these risks exist regardless of whether the development is planned for greenfield or brownfield land. Where brownfield sites are an issue, however, the inherent risks are compounded by issues of added costs for environmental risk assessment and legal liability. These factors give rise to uncertainty in the site selection process, uncertainty in site development, and delays in the development process.

Uncertainty in Site Selection

The unwary purchaser of land can acquire with it the legal liability for any contaminants on the property, and the Ministry of Energy and the Environment (MOEE) can order the new owner to clean up (or pay for the clean up of) the property. As a result, environmental risk assessment is now a standard practice for developers in selecting a site and for lenders in evaluating financing applications. The problem, however, is that such risk assessments can be very expensive and in the end may serve only to discourage the developer from buying the property.³⁷

Another difficulty relates to the stringent and uncertain standards of cleanliness required to satisfy MOEE, lenders, municipalities, and subsequent purchasers. Developers who seek to change the use of the land will require municipal approvals.³⁸ The multiplicity of agencies or approval check points to be cleared is also daunting. Municipalities may refuse to issue approvals for sites that are considered by MOEE to be contaminated. In addition, subsequent purchasers, lenders, tenants, and insurers are inclined to demand that property be cleaned to the satisfaction of MOEE as a condition of the transaction.

It is therefore increasingly important that lands be cleaned to a standard acceptable to the Ministry. The problem, however, is that there is no statutorily prescribed standard for what is contaminated and what is clean; there are only guidelines, which do not have the force of law.³⁹ If MOEE changes the guidelines on what is clean, purchasers who find that their properties are now "contaminated" may be subject to significant financial losses, either in terms of immediate depreciation in property value or in expensive clean up.

Uncertainty in Site Development

While there are problems associated with increasingly stringent standards, lowering them is no solution. To do so would return us to the relative lack of regulation that created the environmental problems in the first place.

Site contamination may be a dormant problem, not only for unwary purchasers but also for lenders, receivers, and trustees on whom liability has, in some instances, been imposed. As a result of the legal uncertainties that

37 In a recent example, the Agreement of Purchase and Sale for the former Greenwood Racetrack in Toronto's east end allowed the purchasers to refuse to close if they "believed, acting reasonably," that the property was subject to environmental contamination or soil conditions that would increase the cost of development. The purchaser retained experts, who advised that the land contained peat that would generate methane in excess of guidelines set by the Ministry of Energy and Environment. On the basis of that advice, the purchasers refused to close, and sued successfully for the return of their deposit. At the end of the day, however, the abandoning purchaser had borne the expense of the environmental assessment and the litigation and was still looking for property to develop.

38 These municipal approvals may include plans of subdivision, building permits, minor variances, and development reviews imposed in areas subject to site plan control, official plan amendments, or zoning changes.

39 See Ontario Ministry of the Environment, "Guidelines for the Decommissioning and Clean up of Sites in Ontario" (February 1989). In 1994, MOEE proposed substantial revisions to these guidelines, which have not yet become official.

surround brownfield site development, the allocation of risks and costs associated with site contamination has proven unduly restrictive.

Because of the uncertainties surrounding liability, lenders are increasingly wary of accepting a security interest in brownfield property. Lender liability can arise where a secured creditor, usually a mortgagee, takes possession of a property for the purpose of selling it in order to recover on its security interest. The wariness stems from their statutory⁴⁰ and common-law liability for site contamination.

In some cases, the secured creditor has abandoned the security rather than take possession and assume the environmental liability, particularly where the cost of clean up exceeds the value of the property. Until recently, it was thought that a creditor who did not take possession of the property could not be liable for clean up costs. However, some recent court decisions have undermined that view, leaving lenders in an even more precarious position.⁴¹

Recent changes to federal bankruptcy legislation have taken aim at the problems of the environmental responsibility faced by receivers and trustees. While these changes have helped to dispel some of these difficulties, there is lingering concern over the receiver's personal liability and obligations under the environmental legislation. Residual liability of lenders, receivers, and trustees underlines the need for certainty in the standard of cleanliness which must be met.

The risk assessment and remedial action process often delays the development of a brownfield site. The impact of the unnecessary delays on carrying costs and financing considerations create additional disincentives to develop brownfield sites over greenfield sites.

**Delays in
Site
Preparation**

Regional government must play a role in tipping the scales of risk-benefit analysis so that developers are attracted to brownfield sites within the region. The benefits of brownfield re-development in terms of efficient use of existing infrastructure and local economic revitalization cannot be overstated. It is not only appropriate but necessary that all levels of government coordinate efforts to focus on this issue.

**Eliminating
the Barriers
to Brownfield
Re-development**

There are three general approaches to eliminating or reducing some of the barriers to brownfield re-development: legislative or administrative changes to

⁴⁰ In Ontario, statutory liability is primarily under the *Environmental Protection Act*, although there are a number of other provincial and federal statutes which give rise to environmental liability.

⁴¹ For example, in a few recent decisions, courts have allowed the clean up costs incurred by receiver-managers in possession of contaminated lands to be paid in precedence over the rights of secured creditors. Thus, even though the creditors were not statutorily liable for the contamination under the governing legislation because they were not in "possession," their security interest was affected by the priority given to the receiver's clean up expenses.



simplify the approvals process (see the discussion of disentanglement in the following chapter), financial incentives, and information collection.

Legislative Changes

One approach involves legislative changes in key areas to inject greater certainty into the issues of liability. For example, amendments to the *Bankruptcy Act* in 1992 partially reduced the problems associated with the environmental liability of trustees for clean up and mitigative measures.⁴² However, difficulties remain, particularly in the area of personal liability and the obligations imposed by the requirement of due diligence.

The Province may also consider amendments to the *Environmental Protection Act* to clarify the statutory liability of lenders, receivers, and trustees with respect to pre-foreclosure situations⁴³ and to innocent land owners, purchasers, and occupiers.

In addition, MOEE has released a series of guidelines over the years for clean up of contaminated sites. In their earliest form the “Guidelines for the Decommissioning and Clean up of Sites in Ontario” (February 1989) required clean up of environmental contamination to the bedrock level regardless of land use.

The 1989 guidelines were revised by MOEE in consultation with the Ministry’s Advisory Committee on Environmental Standards and released in July 1994 as the “Proposed Guidelines for Clean up of Contaminated Sites in Ontario.” Under these proposed guidelines, individual standards for clean up can be applied depending on the land use (agricultural, residential, parkland). These standards may be less stringent where groundwater is not a drinking water resource.

MOEE has further revised the July 1994 guidelines and recently released in draft form “Guidelines for Use at Contaminated Sites in Ontario.” However, these have not yet been formalized by the minister.

Both recent revisions contain a number of significant features designed to reduce the uncertainty for, and burden on, owners and prospective purchasers of land. In particular, a Record of Site Condition will make the Ministry aware of sites where restoration has taken place, as well as the level of restoration and whether it has been done in accordance with the guidelines through an audit process. If the proposed guidelines are put into effect, this information will significantly reduce the uncertainty and expense for prospective purchasers and lenders.

42 See Bill C-22, *An Act to amend the Bankruptcy Act*. The current legislation, renamed by Bill C-22 as the *Bankruptcy and Insolvency Act*, is a federal enactment as the Parliament of Canada has jurisdiction over bankruptcy and insolvency under s.91(21) of the *Constitution Act*, 1867.

43 Non-foreclosure situations must also be addressed in light of the decisions of the Ontario Court (General Division) in *King (Township) v. Rolex Equipment Co.* (1992), 9 C.E.L.R. (N.S.) 1, and the British Columbia Supreme Court in *Re Lamford Forest Products Ltd.* (1991), 88 D.L.R. (4th), 534.

Adjuncts to the guidelines are the standard MOEE-lender agreement to limit a lender's environmental liability. This enables lenders to enter the property to undertake site assessment activities without being deemed to be "in charge, management or control" of the contaminated property, thereby reducing their exposure to provisions of the *Environmental Protection Act*.

Another approach to eliminating barriers to brownfield redevelopment involves governmental financial incentives in the form of loan/grant combinations. A number of working models of this approach in cities in the United States have met with considerable success. Voluntary clean up and land recycling initiatives now exist in nineteen states, including Michigan, Pennsylvania, Ohio, Minnesota, New Jersey, and New York.

Financial Incentives

In the United Kingdom, a comprehensive approach to regeneration has been attempted. Local Training and Enterprise Councils have combined the funding for new development and infrastructure with funding for job training, skills development, and other community programs. Funds are dedicated to regeneration projects and have the advantage of streamlining approvals that suspend the normal planning controls.

A similar regeneration program could be introduced in Greater Toronto and specifically linked to growth management objectives, with eligibility for loans or grants to be determined on the following bases:

- how the proposed development will increase the tax base of the local jurisdiction;
- the social value to the community of clean up and re-development of the site; or
- the amount of commitment of municipal or other interests to pay for clean up costs.

The Minnesota model focuses on the third criterion — the commitment to clean up costs. Ohio and Michigan factor this and other criteria into their regeneration programs.

Governments could also allocate financial resources for such limited purposes as allaying the costs associated with the environmental risk assessment process, which can be an expensive exercise for potential purchasers. Financial assistance of this type provides a useful and cost-effective incentive because the perceived risk of re-development may be high while the actual contamination may be low, requiring only minimal clean up costs.

***Information
Gathering***

The current procedures for assessing and cleaning up contaminated sites are typically triggered by a re-development application. Without such a development signal, the existence of contaminants on the site is unofficial and subject to the speculation of potential purchasers. On the other hand, knowledge is an essential ingredient for effectively managing risk and uncertainties. Sharing specific information about a site reduces the inherent uncertainty in its re-development.

Site “profiles” and a site “registry” for lands that have been subject to specified uses may help to separate the real from the perceived problems related to site conditions and future development potential. Other jurisdictions have legislated these types of inventories,⁴⁴ and some municipalities in the GTA have already begun work in this area. Funding programs aimed at environmental risk assessment may provide an important data source for the inventory.

Recommendation 17

The Ministry of Environment and Energy should establish standards appropriate for intended use in the clean up of brownfield sites.

Recommendation 18

The Province (and the Federal Government) should enact legislation to address the issues of liability of lenders, receivers, and trustees regarding the redevelopment of brownfield sites.

Recommendation 19

The Greater Toronto Council should establish a strategic and comprehensive regeneration program for the redevelopment of brownfield sites.

Recommendation 20

Information on industrial and formerly-industrial lands within the region should be collected in a Greater Toronto site registry to facilitate brownfield site redevelopment.

44 See for example British Columbia's *Waste Management Amendment Act*.

STRENGTHENING MUNICIPALITIES

*"New kinds of public institutions are emerging. They are lean, decentralized, and innovative. They are flexible, adaptable, quick to learn new ways when conditions change. They use competition, customer choice, and other non-bureaucratic mechanisms to get things done as creatively as possible. And they are our future."*¹

David Osborne and Ted Gaebler

One of the main functions of municipal government is to deliver a wide spectrum of services to residents and businesses in the community. Services in the GTA are currently delivered by four levels of government, a miscellany of departments within each government, numerous special purpose bodies, and school boards.

There are three major problems with current service delivery in the region. One is duplication: there are too many levels of government providing the same or similar services. A second problem is complexity: it is difficult to know which government, or which department within government, is responsible for providing a specific service. The third problem is inefficiency, which results from scarce resources being wasted on services that are not being delivered as smoothly or effectively as possible.

There are many ways to approach service delivery problems. This chapter focuses on allocating responsibilities to the appropriate level of government (provincial, regional, local, special purpose bodies) and determining when it makes sense for services to be provided by the private sector. It also looks at ways of giving more flexibility to municipalities to allow them to deliver services more efficiently and effectively. A detailed discussion of how to restructure government to improve service delivery follows in Chapter 6.

5.1 CLARIFYING PROVINCIAL AND MUNICIPAL RESPONSIBILITIES

At present, the interaction between the GTA municipalities and the Province can best be described as complex, duplicative, costly, and confusing. The following serve as illustrations:

¹ David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, Massachusetts: Addison-Wesley Publishing Company Inc., 1992), p. 2.

- **Complex:** 150 pieces of provincial legislation and accompanying regulations currently govern Ontario municipalities.²
- **Duplicative:** There are 35 planning departments in the GTA which altogether employ more than 850 people at the local level and 200 people at the regional level. The total annual budget of these departments is \$130 million.³ The provincial government also employs some 130 planning staff in a number of ministries, including Municipal Affairs and Housing, Natural Resources, Environment and Energy, and Transportation.
- **Costly:** Red tape and delays inherent in the provincial environmental approvals process have cost taxpayers millions of dollars and have driven business investment from Ontario and the GTA. In one case, the Ontario Waste Management Corporation took 12 years — at a cost of more than \$70 million — to complete its environmental assessment process, only to be disbanded without ever achieving a solution to the problem of waste disposal. In another case, Laidlaw Environmental Services cancelled its plans to build a rotary kiln incinerator in Ontario and took its capital and jobs to the United States instead.
- **Confusing:** Numerous case studies provided to the Task Force by municipalities, citizen groups, and others documented the confusion surrounding provincial and municipal decision-making at the local level. These are rife with examples of contradictory municipal and provincial decisions, and provincial “micro-management” of municipal matters, all of which cause costly and unnecessary delays, among other problems.⁴

Over the past 30 years, numerous reports have recommended the disentanglement (the process of sorting out the appropriate roles and responsibilities of various levels of government) of policy-making and funding responsibilities now scattered across a variety of provincial and municipal government areas.⁵ Virtually none of these recommendations has been implemented, despite persuasive and practical

2 It was once calculated that Metro's planning documentation weighs 4.9 grams per 1,000 residents — the most in North America. Chicago's planning documentation weighed in at only 0.45 grams per 1,000 residents.

3 See for example The Municipality of Metropolitan Toronto, “Key Facts - 1995” (May 1995); The Canadian Institute of Public Real Estate Companies, “Regulatory Duplication in the Planning Process” (Submission to the GTA Task Force, September 1995).

4 See case studies compiled from various municipalities and submitted to the GTA Task Force by Mayor Peter Robertson of Brampton (October 23, 1995).

5 This was a particularly important theme in the *Report of the Ontario Committee on Taxation* of 1967 and the 1977 *Report of the Royal Commission on Metropolitan Toronto* “Robarts Commission.” Disentanglement issues also surfaced in the 1977 *Report of the Commission on the Reform of Property Taxation in Ontario* “Blair Commission,” and the 1990 *Provincial Municipal Social Services Review*. More recently, a comprehensive analysis of disentanglement criteria and specific provincial and local responsibilities were outlined in the *Report of the Advisory Committee to the Minister of Municipal Affairs on the Provincial-Municipal Financial Relationship* “Hopcroft Report” (1991) and, to a lesser extent, in the *Report of the Ontario Fair Tax Commission*, “Fair Taxation in a Changing World” (1993).

STRENGTHENING MUNICIPALITIES

arguments on how to re-assign roles for provincial and municipal governments more appropriately. While these possible solutions have gone unheeded, the duplication, high costs, and lack of accountability characterizing public service delivery in the region have worsened. Clarifying responsibilities would help improve the efficiency and effectiveness of the approximately \$15 billion spent by local governments in the GTA annually (See Exhibit 5.1).

EXHIBIT 5.1: TOTAL MUNICIPAL AND SCHOOL BOARD SPENDING IN THE GTA, 1994 \$000's

| REGION | MUNICIPAL | | | SCHOOL BOARD | | | TOTAL MUNICIPAL & SCHOOL BOARD SPENDING | TOTAL SPENDING NET OF PROVINCIAL GRANTS |
|-------------------|--------------------|-------------------------------|---------------------|--------------------|-------------------------------|---------------------|---|---|
| | OPERATING SPENDING | CAPITAL ¹ SPENDING | GRANTS ² | OPERATING SPENDING | CAPITAL ¹ SPENDING | GRANTS ² | | |
| METRO | 5,481,384 | 812,228 | 1,957,430 | 2,833,495 | 110,973 | 215,568 | 9,238,080 | 7,065,082 |
| DURHAM | 567,089 | 140,126 | 186,632 | 450,185 | 40,073 | 253,145 | 1,197,473 | 757,696 |
| HALTON | 370,279 | 125,702 | 92,868 | 363,234 | 36,994 | 142,795 | 896,209 | 660,546 |
| PEEL ³ | 916,573 | 237,337 | 235,662 | 965,047 | 88,584 | 347,528 | 2,207,541 | 1,624,351 |
| YORK | 618,903 | 178,418 | 159,599 | 677,532 | 86,263 | 176,564 | 1,561,116 | 1,224,953 |
| GT TOTAL | 7,954,228 | 1,493,811 | 2,632,191 | 5,289,493 | 362,887 | 1,135,600 | 15,100,419 | 11,332,628 |

1 To eliminate dramatic year-by-year fluctuations in capital spending, these totals represent annual averages from 1990 to 1994 at 1994 prices.

2 Includes operating, capital, and unconditional grants to municipalities and operating and capital grants to school boards.

3 The school board totals for Peel region are slightly inflated since they include a small area of the county of Dufferin which is outside Greater Toronto.

Source: Municipal expenditure and grant totals provided by the Ontario Ministry of Municipal Affairs and Housing; School board numbers are based upon data provided by the Ontario Ministry of Education and Training.

Provincial governments should be responsible for services that are provided in the interests of the provincial population as a whole. Specifically, provincial governments should be responsible for services that:

Provincial Service Responsibilities

- are income redistributive in nature (such as welfare);⁶
- spill over municipal boundaries; and
- require uniform province-wide standards.

The 1991 Hopcroft Report to the Minister of Municipal Affairs applied these criteria to determine the roles and responsibilities of the provincial and municipal governments in Ontario. Most municipal submissions to the Task Force used similar criteria to allocate responsibilities between provincial and municipal

6 Federal and provincial governments have a broader tax base that is more closely related to ability to pay than are local property taxes. Also, they can redistribute income more effectively because they operate over a larger geographic area.

governments. The Hopcroft Report and the municipalities similarly recommended that the Province should be responsible for services where the benefits are province-wide, and that municipalities should be responsible for services where the benefits are local. The Task Force supports this approach and emphasizes that general welfare assistance and children's services should become provincial responsibilities.

Under Ontario's *General Welfare Assistance Act*, municipalities are currently required to provide allowances and benefits to persons who face emergency or short-term financial need. The costs of the various programs are shared by the Province and Metro and the regions, with a few exceptions. Additional benefits and discretionary municipal employment and counselling programs are funded 100 percent by Metro and the regions, while the Family Benefits program is funded 100 percent by the Province. Within the GTA, general welfare assistance is administered by Metro and the four other regional municipalities. Metro Toronto provides more generous assistance than the other regions in the GTA, but these enriched benefits are not cost-shared by the Province.

Because general welfare assistance is an income redistribution program that generates province-wide benefits and requires uniform standards across the province, its *funding* should be the Province's responsibility. Hostels, which provide temporary accommodation for the homeless, are an integral part of the welfare system and, accordingly, should be funded by the Province. In many other provinces, including Newfoundland, Prince Edward Island, New Brunswick, Quebec, Saskatchewan, and Alberta, the responsibility for policy setting and funding of social services has been moved to the provincial level.

Children's services include funding for Children's Aid Societies and child care. Because these services are income redistributive, they too should be funded provincially from taxes based on ability to pay. Because these services also have spillover effects across jurisdictions, policy control should be exercised by the provincial government.

Delivery of children's services may be the responsibility of the Province or the municipalities, or may be contracted out. Many submissions received by the Task Force recommended that municipal governments should continue to deliver general welfare and children's services because of their familiarity with local needs and their ability to integrate delivery of these programs with other community services. The Task Force believes that service delivery should be the responsibility of the agent that can provide it most efficiently and effectively.

STRENGTHENING MUNICIPALITIES

primary objective. To ensure that they are locally responsive and efficiently provided, the following services should be the sole responsibility of local governments:

- roads
- public transit
- fire
- police
- water, sewers and storm sewers
- parks and recreation
- libraries
- waste management

Under current provincial-municipal fiscal arrangements, the Province provides transfers to municipalities to fund a portion of many local services. These conditional transfers can distort the spending decisions of municipalities to achieve provincial objectives which may differ from local priorities. Transfers also undermine accountability; when one level of government is raising funds (in this case, the Province) that are being spent by another level of government (local government), there is little incentive for the recipient to be cost-effective or accountable. Conditional transfers are therefore no longer appropriate for those services that are the sole responsibility of local governments.

The Province also provides unconditional grants to municipalities to ensure that they can provide an adequate level of service without having to impose an unduly large burden on local taxpayers. Unconditional transfers still make good sense as a way of enabling all municipalities to provide a full range of local services.

Our disentanglement proposal will clarify financial responsibilities between the Province and municipalities as follows:⁷

Provincial-Municipal Disentanglement

| MUNICIPALITIES ABSORB CONDITIONAL GRANTS | PROVINCE ABSORBS BULK OF SOCIAL SERVICES |
|--|---|
| <ul style="list-style-type: none"> • ROADS • SEWER/WATER • TRANSIT • WASTE • OTHER CONDITIONAL GRANTS | <ul style="list-style-type: none"> • GENERAL WELFARE ASSISTANCE AND HOSTELS • ASSISTANCE TO CHILDREN • UNCONDITIONAL GRANTS MAINTAINED |

⁷ As the Task Force was completing its report, the Province announced some major changes in the way grants are allocated to municipalities. The most significant policy change was to create an unconditional block grant by combining existing road grants and unconditional grants. The Task Force recommendation that conditional grants be eliminated is not inconsistent with this approach.



Some municipal submissions contained proposals for a “revenue neutral” service exchange in which the cost of new municipal responsibilities approximately equals the cost of new provincial responsibilities. The Regional Chairs, for example, proposed that any additional municipal financial burden resulting from the service exchange be counterbalanced with an increase in education grants.

The Task Force also supports a “revenue neutral” exchange but proposes that any financial discrepancies be balanced by adjustments to the Ontario Unconditional Grant. The full financial consequences and tax impacts of our service delivery and governance model are presented in Section 6.8.

Recommendation 21

The Province should disentangle the funding and policy-setting responsibilities for services as follows:

- the Province should assume full responsibility for policy-setting and funding of general welfare assistance and children’s services;
- the Province should discontinue conditional transfers to municipal governments, but continue to provide provincial unconditional grants to municipal governments;
- the Province should continue to provide capital grants for regional capital investments, but discontinue capital grants for local projects; and
- this disentanglement should be neutral in its financial impact between the Province and the municipalities, with the Ontario Unconditional Grant being adjusted to balance any discrepancies.

Shared Responsibilities

Although the Task Force strongly favours assigning services to either the provincial or local level of government, there are circumstances where shared funding is appropriate and workable. It may be necessary for services to be funded jointly where the province-wide interest to be served is balanced by the need for local responsiveness. Among the services that require shared funding are:

- education
- regional planning
- environmental protection
- transportation
- economic development and investment

Provincial involvement in funding education is appropriate because the benefits of education spill over into many jurisdictions. Individuals educated in one jurisdiction move to other jurisdictions, taking the benefits of their education

with them. Education is also a service to which every resident of the province should have the same level of access, regardless of the strength of the local tax base. Local involvement in education is appropriate to ensure there is flexibility and autonomy to respond to local needs and preferences.

The other services mentioned above also spill over beyond local boundaries and may therefore require some provincial involvement. This is the case with several major physical features that are within the GTA, but extend beyond its boundaries. These include the Niagara Escarpment, the Oak Ridges Moraine, the Lake Simcoe watershed, and the Lake Ontario waterfront. Planning and environmental decisions relating to these areas have province-wide implications. Similarly, although some major highways (such as the QEW and most of the 400 series) should remain provincial responsibilities, other provincial highways (such as Highway 9) should be funded locally.

Major capital investments will also require some provincial involvement. The Province has a strong interest in contributing to the city-region's competitiveness by maintaining capital spending, especially for major transit and transportation infrastructure including airports and highways. On the other hand, the Task Force does not envisage a Provincial role in local capital spending on roads, fire, or other local services. The Province currently spends approximately \$320 million annually on capital in the GTA. The regional component of this spending should be maintained through Provincial capital grants to municipalities or direct capital expenditures.

The Task Force envisages a new relationship between the Province and municipalities in the GTA — one of *partnership* in well-defined areas of mutual interest. Under this new arrangement, the Province's role would be clearly spelled out through revised framework legislation and specific co-financing agreements. The existence of clearly defined macro-management goals at the provincial level should alleviate the Province's need to micro-manage municipal issues in which it has an interest. Co-financing will encourage a more coordinated and strategic approach to joint funding than is possible under the existing subsidy system.

5.2 CLARIFYING REGIONAL AND LOCAL RESPONSIBILITIES

Services in the GTA are currently provided by five regional governments and 30 local governments. Exhibit 5.2 shows the current division of responsibilities between the upper and lower tiers in the GTA and illustrates that some services are provided at the regional level, some at the local level, and many at both levels.

STRENGTHENING MUNICIPALITIES

EXHIBIT 5.2: DIVISION OF MUNICIPAL SERVICE RESPONSIBILITIES BETWEEN REGIONAL GOVERNMENTS
AND THE AREA MUNICIPALITIES

| | METRO | | DURHAM | | YORK | | PEEL | | HALTON | |
|---|--------|------|--------|------|--------|------|--------|------|--------|------|
| | REGION | AREA | REGION | AREA | REGION | AREA | REGION | AREA | REGION | AREA |
| GENERAL | | | | | | | | | | |
| FINANCE AND TAXATION: | | | | | | | | | | |
| PROPERTY TAX COLLECTION | | • | | • | | • | | • | | • |
| DEBENTURE BORROWING | • | | • | | • | | • | | • | |
| LICENSING AND INSPECTION: | | | | | | | | | | |
| BUSINESS AND TRADE | • | | | • | • | • | | • | | • |
| MARRIAGE LICENSES | | • | | • | | • | | • | | • |
| BUILDING PERMITS | | • | | • | | • | | • | | • |
| ANIMAL CONTROL | | • | | • | | • | | • | | • |
| PROTECTION: | | | | | | | | | | |
| POLICE | • | | • | | • | | • | | • | |
| FIRE | | • | | • | | • | | • | | • |
| CONSERVATION AUTHORITY | • | • | • | • | • | • | • | • | • | • |
| TRANSPORTATION | | | | | | | | | | |
| ROAD CONSTRUCTION AND MAINTENANCE: | | | | | | | | | | |
| ARTERIAL ROADS | • | | • | | • | | • | | • | |
| ROADS | | • | | • | | • | | • | | • |
| BRIDGES AND GRADE SEPARATION | • | • | • | • | • | • | • | • | • | • |
| STREET CLEANING | • | • | • | • | • | • | • | • | • | • |
| SNOW REMOVAL | • | • | • | • | • | • | • | • | • | • |
| SIDEWALKS | • | • | • | • | • | • | • | • | • | • |
| TRAFFIC CONTROL: | | | | | | | | | | |
| TRAFFIC LIGHTS | • | | • | • | • | • | • | • | • | • |
| STREET LIGHTING | • | • | | • | | • | | • | | • |
| PUBLIC TRANSIT: | | | | | | | | | | |
| TRANSIT AUTHORITY | • | | | • | • | • | | • | | • |
| TRANSPORTATION FOR DISABLED | • | | | | • | • | • | | • | |

STRENGTHENING MUNICIPALITIES

EXHIBIT 5.2: DIVISION OF MUNICIPAL SERVICE RESPONSIBILITIES BETWEEN REGIONAL GOVERNMENTS
AND THE AREA MUNICIPALITIES (CONTINUED)

| | METRO | | DURHAM | | YORK | | PEEL | | HALTON | |
|---|--------|------|--------|------|--------|------|--------|------|--------|------|
| | REGION | AREA | REGION | AREA | REGION | AREA | REGION | AREA | REGION | AREA |
| ENVIRONMENT | | | | | | | | | | |
| WATER SUPPLY: | | | | | | | | | | |
| PURIFICATION, PUMPING AND TRUNK DISTRIBUTION SYSTEM | • | | • | | • | | • | | • | |
| LOCAL DISTRIBUTION | | • | • | | | • | • | | • | |
| WATER POLLUTION CONTROL: | | | | | | | | | | |
| SANITARY TRUNK SEWERS | • | | • | | • | | • | | • | |
| CONNECTING SYSTEMS | | • | • | | | • | | • | • | |
| STORM DRAINAGE | • | • | | • | | • | | • | | • |
| GARBAGE: | | | | | | | | | | |
| COLLECTION | | • | | • | | • | • | | | • |
| DISPOSAL | • | | • | | • | | • | | • | |
| RECYCLING | • | • | • | | • | • | • | | • | • |
| HEALTH | | | | | | | | | | |
| AMBULANCE SERVICES | • | | | | | | | | | |
| PUBLIC HEALTH SERVICES | | • | • | | • | | • | | • | |
| HOSPITAL GRANTS | • | | • | | • | | • | | • | |
| COMMUNITY SERVICES | | | | | | | | | | |
| WELFARE ASSISTANCE | • | | • | | • | | • | | • | |
| DAY CARE SERVICES | • | | • | | • | | • | | • | |
| ASSISTANCE TO CHILDREN'S AID SOCIETIES | • | | • | | • | | • | | • | |
| HOMES FOR THE AGED | • | | • | | • | | • | | • | |
| RECREATION | | | | | | | | | | |
| PARKS | • | • | | • | | • | | • | | • |
| RECREATION PROGRAMS | | | | • | | • | | • | | • |
| COMMUNITY CENTRES AND ARENAS | | • | | • | | • | | • | | • |
| LIBRARIES | • | • | | • | | • | | • | | • |
| PLANNING AND DEVELOPMENT | | | | | | | | | | |
| APPROVED OFFICIAL PLANS | • | • | • | • | • | • | | • | • | • |
| SUBDIVISION APPROVAL | • | | • | | • | | • | | • | |
| CONDOMINIUM APPROVAL | • | | • | | • | | • | | • | |
| ECONOMIC DEVELOPMENT | • | • | • | • | • | • | • | • | • | • |

STRENGTHENING MUNICIPALITIES

Submissions to the Task Force expressed a common theme — there are too many governments in the GTA with overlapping responsibilities and uncertain accountability:

Much confusion is caused by two bodies delivering similar services. A good example of this is Earl Bales Park in North York. Although it is a “Metro” park, a portion of the park itself, the community centre and the ski hill are operated and maintained by North York. Another large portion is operated and maintained by the Metro Parks Department. This is very confusing to residents. Who do they call when they have a problem?

City of North York

Any overlapping or gaps in government responsibilities must be identified and *eliminated*. Once duplication of services has been addressed, the taxpayers must know clearly *who* is accountable and responsible for the delivery and performance of each of the services they receive.

Town of Aurora

Decisive action must be taken to reduce the costly and inefficient overlap and duplication of effort where it exists in government today. As service providers, we must take positive steps to eliminate the public confusion over which level of government provides what service.

Town of Whitby

It is time to untangle the web of responsibilities for government services in order to clarify accountability and simplify administrative processes.

Region of Halton

The Task Force believes that municipal services should be provided by the lowest level of government that has the capacity to do so. When municipal services are provided by the local government, local preferences can be reflected in the quantity and quality of services consumed. A government representing a large, diversified area is less effective at meeting the demands of its residents because it tends to provide a uniform level of service. Also, smaller government units allow the average citizen greater access to public officials and more influence over policy decisions.

There are some services, however, that may have to be provided on a larger scale. In particular, municipal services that generate spillovers should be coordinated across lower tiers. These include, for example, economic development, regional

planning, transit, water and sewers, and waste disposal. There are many ways to accomplish service coordination. In Chapter 6, we consider a range of alternatives and argue for continuation of a two-tier system in which most services are provided by local governments and a limited range of services are coordinated at an upper-tier level.

5.3 MUNICIPAL GOVERNMENTS AND SPECIAL PURPOSE BODIES

Within the GTA, numerous special purpose bodies provide a wide range of services as set out in Exhibit 5.3. Examples include school boards, police boards, library boards, conservation authorities, recreation commissions, boards of health, utility commissions, and transit authorities.

EXHIBIT 5.3: SPECIAL PURPOSE BODIES IN THE GTA

| REGIONAL MUNICIPALITY | LOCAL MUNICIPAL AGENCIES | REGIONAL AGENCIES, BOARDS AND COMMISSIONS | INTER-MUNICIPAL PROVINCIAL AGENCIES, BOARDS AND COMMISSIONS | INTER-REGIONAL PROVINCIAL AGENCIES, BOARDS AND COMMISSIONS |
|-----------------------|--------------------------|---|---|--|
| METRO | 69 | 11 | 13 | 11 |
| DURHAM | 85 | 3 | 33 | 5 |
| HALTON | 23 | 10 | 9 | 6 |
| PEEL | 30 | 7 | 10 | 2 |
| YORK | 58 | 7 | 2 | 7 |
| TOTAL | 265 | 38 | 67 | 31 |

Source: Don Stevenson, "Inventory of Existing Governance Structures in the Greater Toronto Area" (Prepared for the GTA Task Force by the Canadian Urban Institute, August 1995).

Many of these boards and agencies (library boards and recreation commissions, for example) are made up of volunteers who serve as citizen advisors. These bodies are neither autonomous from, nor independent of, municipal councils. Revenues for their operation are provided by municipal councils and council has control over the policy decisions and funds allocated to them for their operation. These boards do not present problems for service delivery. Indeed, these volunteer advisory boards serve a useful purpose and should be retained as an important component of citizen involvement in council decisions.

By comparison, some submissions to the Task Force argued that autonomous and independent boards such as police boards, school boards, and hydro-electric commissions distort municipal budgetary choices, inhibit local accountability, and create more inefficiency in the delivery of services than would be the case if these boards were under the direct control of municipal councils.

Arguments supporting special purpose bodies are two-fold. First, experts are often regarded as more efficient in administering service delivery than are politicians and government officials. Second, the workload of politicians prevents them from having sufficient time to plan, administer, and oversee all government functions. In response to these claims, it has been argued that the growth in both the size and technical expertise of the municipal government sector over the past 20 years means that municipal governments do have the capability to oversee all government functions.

There are various arguments against special purpose bodies:

- The proliferation of special purpose bodies has diffused government responsibilities and confused the public.
- Because certain special purpose bodies are independent and in no way subordinate to the elected municipal politicians, they are not directly accountable to the municipal government. While GTA school boards and police commissions, in particular, lay claim to substantial property tax revenues, municipal councils lack the legal authority to withhold funds from either body when they disagree with policy directions or spending. Municipalities are consequently denied the means to exercise proper budgetary control. Indeed, recent empirical research suggests that expenditures by police boards and school boards crowd out other municipal expenditures.⁸
- The large number of separate agencies makes the coordination of inter-related activities difficult, if not impossible.⁹ For example, the actions of utility commissions, police commissions, parks boards, conservation authorities, industrial commissions, and planning boards may conflict with the council's overall planning effort.¹⁰

The Task Force believes that the disentanglement exercise requires a review of special purpose bodies to determine if their operations are efficient and accountable and if they are able to coordinate service delivery with other departments and agencies. Some special purpose bodies, particularly those made

8 Almos Tassonyi and Wade Locke, "Shared Tax Bases and Local Public Expenditure Decisions," *Canadian Tax Journal* (vol. 41, 1994), pp. 941-957.

9 *Report of the Niagara Region Review Commission* (Toronto: Queen's Printer, 1989).

10 C.R. Tindal and S. Nobes Tindal, *Local Government in Canada* (Toronto: McGraw-Hill Ryerson, 1995).

up of volunteers, should be retained. Others should be disbanded and their functions made part of the municipal government. The role of special purpose bodies requires further study and analysis.

5.4 THE OPPORTUNITY FOR PRIVATE SECTOR SERVICE DELIVERY

Municipalities that are responsible for the provision of services are not necessarily required to deliver the services. Recent studies on reinventing government suggest that municipalities should distinguish between “steering” and “rowing.”¹¹ This means that they have to distinguish between making the decisions about what services will be provided and the actual provision of services. Governments need to do the steering; the private sector can do the rowing:

Services can be contracted out or turned over to the private sector. But *governance* cannot. We can privatize discreet steering functions but not the overall process of governance....Business does some things better than government, but government does some things better than business. The public sector tends to be better...at policy management, regulation, ensuring equity, preventing discrimination or exploitation, ensuring continuity and stability of services, and ensuring social cohesion...¹²

If the public sector cannot deliver a service as effectively and efficiently as the private sector, it should not be in that business. The municipality should contract out services that the private sector can do better or more cost effectively, while still setting parameters for service levels, policies, and standards.¹³

The Task Force sees a potential role for the private sector in delivering some municipal services. It also agrees with Gaebler and Osborne, however, that government has a central role to play in governance to ensure that the public interest is served. Although the private sector can deliver services, the public sector has to set policies and standards.

Private sector firms have been delivering a variety of municipal services for a long time. The most common form of private sector involvement in the delivery of municipal services is contracting out. Some examples include: construction projects for buildings; water and sewage lines; water and sewage treatment plants; professional services such as engineering design, specialized planning, and legal advice; waste management (solid waste collection, disposal, sewage treatment, and landfill site supervision); protection to persons and property (animal control and pest control); social and cultural services (libraries, food concessions,

Steering and Rowing

Where the Private Sector Fits

11 These terms are taken from Osborne and Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*.

12 *Ibid.*, pp. 45 and 46.

13 City of Mississauga, “Background Paper 3: Running the GTA Like a Business, Service Delivery and Financing” (Submission to the GTA Task Force, August 1995), p. 5.

tourism and convention services, day care, elderly housing, and recreation services); transportation services (public transit, parking); administrative services (computing, accounting, engineering, tax billing, secretarial services); and miscellaneous other services.¹⁴

More recently, other services have been added: general government services (legal, consulting, auditing); land use (architectural, surveying, and community planning functions); parks and recreation (concession operations); fire protection (janitorial, vehicle maintenance); police protection (janitorial, prison meals); and other (animal shelters, bus maintenance, etc.).¹⁵

In the past, many of these services were delivered by the municipal government directly. Increasing fiscal pressures arising from reductions in provincial transfer payments and perceived difficulties with raising property taxes have sparked an interest in increased private sector involvement.¹⁶ To the extent that the private sector can achieve cost savings while maintaining service quality and accountability, private sector delivery of municipal services is desirable.

Potential Cost Savings

Many studies have attempted to determine whether private sector delivery results in cost savings. Some of the Canadian evidence on cost savings from private sector delivery are summarized in Exhibit 5.4. Although the literature strongly suggests that there are cost savings from contracting out service delivery to the private sector, a closer look at these studies confirms that it is the introduction of competition into service delivery that produces cost savings, rather than something inherent in the private sector itself.¹⁷ In short, where privatization increases competition, there will be cost savings, greater choice for consumers, and better service delivery.

Privatization does not necessarily lead to competition, however, and competition does not necessarily require privatization. Privatization will not lead to competition, for example, where there are not a large number of producers available to compete (for example, in smaller municipalities). In this case, there will be no competition and few opportunities for cost savings. Competition does not require privatization because municipalities can compete against each other or against private firms to deliver services.

14 James McDavid, "Privatizing Local Government Services in Canada," in *Privatization: Tactics and Techniques* (Vancouver: The Fraser Institute, 1988), pp. 101-116.

15 For a detailed description and analysis of recent trends in privatization in British Columbia, see James McDavid and E.G. Clemens, "Contracting out Local Government Services: the B.C. Experience," *Canadian Public Administration* (vol. 38, no. 2, summer 1995), pp. 177-194.

16 For a more detailed discussion on the economic and philosophical factors driving private-sector delivery, see Glenna Carr, Carr-Gordon Limited, "Promoting Entrepreneurial Municipalities – Service Delivery for the Greater Toronto Area: Public Services and the Private Sector" (Background report prepared for the GTA Task Force, October 3, 1995).

17 These studies, in many cases, also fail to include the costs to government of monitoring and enforcing contract arrangements.

EXHIBIT 5.4: COST SAVINGS FROM PRIVATE SECTOR DELIVERY

| SERVICE STUDIED: AUTHOR | UNIT/ORGANIZATIONAL FORM | FINDINGS |
|---|--|--|
| BUS SERVICE: KITCHEN (1992) | MUNICIPAL DEPT. VS. PRIVATELY CONTRACTED SERVICE IN ONTARIO MUNICIPALITIES. | SIGNIFICANTLY LOWER COSTS PER KM. UNDER PRIVATELY CONTRACTED OPERATION. |
| ELECTRIC UTILITY MAINTENANCE: KITCHEN (1986) | UTILITIES CONTRACTING OUT ELECTRICAL UTILITY MAINTENANCE VS. IN-HOUSE MAINTENANCE IN ONTARIO MUNICIPALITIES. | CONTRACTED OUT SERVICE SIGNIFICANTLY LESS EXPENSIVE. |
| REFUSE COLLECTION: KITCHEN (1976) | 48 CANADIAN CITIES. MUNICIPAL VS. PRIVATELY CONTRACTED FORMS. | MUNICIPAL SUPPLIERS MORE EXPENSIVE THAN PRIVATE FIRMS. |
| McDAVID, RICHARDS & DOUGHTON (1984) | COMPARISON OF COSTS BEFORE AND AFTER RICHMOND B.C. SWITCHED FROM PRIVATE TO PUBLIC COLLECTION. | RESIDENTIAL SOLID WASTE COLLECTION FELL FROM \$46.24 PER HOUSEHOLD IN 1982 TO \$30.63 IN 1983. |
| McDAVID (1985) | SURVEY OF PRIVATE COLLECTION VS. MUNICIPAL COLLECTION OF RESIDENTIAL SOLID WASTE IN 107 CANADIAN MUNICIPALITIES. | MUNICIPAL COLLECTION WAS 61% MORE EXPENSIVE. |
| TICKNER & McDAVID (1986) | DETAILED SURVEY INFORMATION ON OUTPUT, INPUTS AND COSTS FOR PRIVATE VS. PUBLIC COLLECTION OF RESIDENTIAL WASTE OBTAINED FROM 100 MUNICIPALITIES. | ON AVERAGE, PRIVATE COLLECTORS WERE 28% LESS EXPENSIVE. |
| McRAE (1994) | COMPARISON OF CHARGES FOR COLLECTION OF COMMERCIAL/ INDUSTRIAL SOLID WASTE IN THREE COMMUNITIES ON CENTRAL VANCOUVER ISLAND. | DEPENDING ON THE SIZE OF CONTAINER AND FREQUENCY OF PICKUP, MUNICIPAL SERVICES WERE BETWEEN 16% AND 67% HIGHER THAN PRIVATE SECTOR PRICES. |

An example from British Columbia illustrates that competition can be successfully introduced into the public sector to reduce costs. A comparison of solid waste collection costs in two municipalities in Greater Vancouver¹⁸ (one contracted its operation to a private firm through periodic competition and the other employed municipal employees) showed that both municipalities lowered

¹⁸ James McDavid and Gregory Schick, "Privatization Versus Union-Management Cooperation: The Effects of Competition on Service Efficiency in Municipalities," *Canadian Public Administration* (vol. 30, no. 3, 1987), pp. 472-488.

costs. This result was explained in part by regional competitive pressure and in part by the exposure of the public sector to unsolicited bids from private firms.

Closer to home, the Borough of East York has contracted out 50 percent of its residential waste collection and recycling operation to Laidlaw Waste Systems, while maintaining 50 percent service by the city's own employees. The five-year arrangement is an operation and maintenance contract requiring the same or better service by the contractor as that provided by the city staff. Over five years the city will save at least \$3 million (or 50 percent of their cost of the service).

The Task Force estimates that savings of \$190 to \$380 million yearly would be available from local contracting out of services. That is based on estimated savings of 20 to 40 percent of expenditures in the service areas of transit and waste management across the city-region.¹⁹

**Jobs,
Quality of
Service, and
Accountability**

Moving towards increased privatization has not proceeded without criticism. Specifically, concerns have been expressed over the impact on jobs, quality of service, and local accountability. A presentation to the Task Force by the Labour Council of Metropolitan Toronto and York Region expressed the following concerns about divesting municipal services to the private sector:

A danger in the divestment of municipal services to the private sector is the potential loss of ability to set and maintain standards deemed appropriate for the community. Many municipalities apply fair wage and/or equity requirements in their internal hiring and tendering procedures. They have also developed policies governing standards of service delivery which include cultural sensitivity, empowerment of client group or similar requirements. It is unlikely that adequate means could be developed to establish and enforce such standards should divestment occur.

Labour Council of Metropolitan Toronto and York Region, 1995

Notwithstanding these concerns, the Task Force believes there is merit in municipalities seeking to lower costs by contracting out the delivery of services where appropriate. Research commissioned by the Task Force considered the impact of contracting out on jobs, quality of service, and accountability. The experience of a number of jurisdictions suggests that privatization can achieve significant costs savings without adversely affecting these factors.

In terms of the **impact on jobs**, the experience of other jurisdictions is worth noting:

- In a study of 34 public services that were contracted out, the U.S. National Commission on Employment Policy found that 58 percent of affected

employees went to the private contractor, 24 percent to other public sector jobs, 7 percent retired, and only 7 percent were laid off.

- In Los Angeles County, of 2,800 jobs affected by contracting out, only 34 employees were laid off over a five-year period.
- In the Alberta Department of Highways, contracting out is resulting in 75 to 80 percent of the provincial employees affected moving to the private sector in similar jobs.
- In Hamilton-Wentworth, when Philip Utilities took over management of the water treatment facilities, it guaranteed employment security for all affected workers.²⁰

Quality of service does not necessarily suffer with contracting out. Our evidence shows that many public agencies are satisfied with their contractors' performance and that standards of service do not deteriorate after contracting out.²¹ Levels of satisfaction tend to be highest when service standards are written into contracts and non-payment is the penalty for failure to comply.

Accountability is not compromised where the desired results are clearly spelled out and agreed upon before contracts are awarded. Warranties or penalties for non-performance strengthen accountability further. When governments develop the policies, set the standards and assess contractors' performance, they are not abdicating responsibility for providing service; rather, they are simply delegating the delivery of the service.

Privatization works best "when public agencies can define precisely what they want done, generate competition for the job, evaluate a contractor's performance, and replace or penalize those who fail to achieve expected performance levels."²²

Recommendation 22

Municipal governments in Greater Toronto should actively pursue cost savings and efficiencies through competitive processes, including contracting out the delivery of service, after taking into account the impact on employees, service quality, and accountability.

The creation of a competitive environment in the local public sector requires that municipalities be able to compare their costs in a consistent and uniform manner. To measure and compare performance, defined outcomes and benchmarks are needed. Citizens and officials should be able to compare

**Monitoring
Service
Delivery**

²⁰ According to Price-Waterhouse, this has become a benchmark contract for North America.

²¹ Glenna Carr, Carr-Gordon Limited, "Promoting Entrepreneurial Municipalities."

²² John Donahue, *The Privatization Decision: Public Ends, Private Means* (New York: Basic Books, 1989).



expenditures by service across municipalities so that they can evaluate the cost-effectiveness of services. Currently, municipal data are not collected, assimilated, and disseminated in a form that makes accurate and useful comparison possible. Data on infrastructure costs or welfare expenditures, for example, are not collected and reported in a manner that would tell us the cost per kilometre of road or the expenditure per welfare case. Unless data collection and reporting are changed, the benefits of benchmarking will not be achievable.

As a starting point, the Greater Toronto Coordinating Committee (GTCC) has estimated net revenue requirements per household for municipal and education purposes in GTA municipalities. These estimates show that spending varies widely across the GTA. For example, net revenue requirements for roads and winter control are \$71 per household in the City of Toronto compared to \$99 per household in the City of Mississauga. On the other hand, net revenue requirements for parks and recreation are \$174 per household in the City of Toronto, compared to \$85 per household in the City of Mississauga.²³

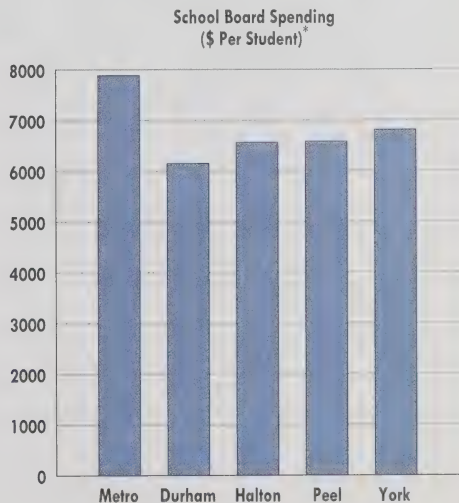
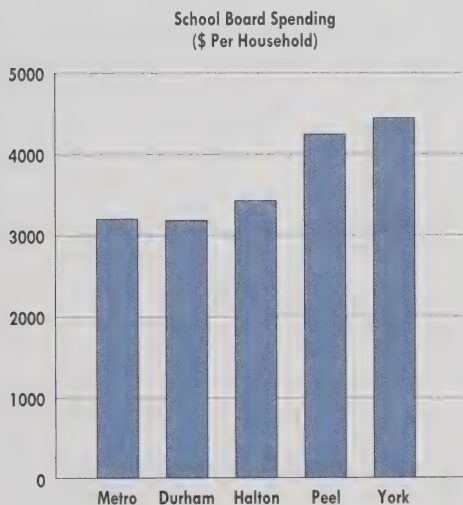
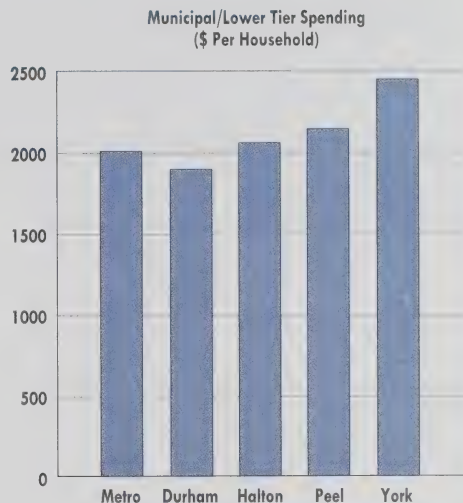
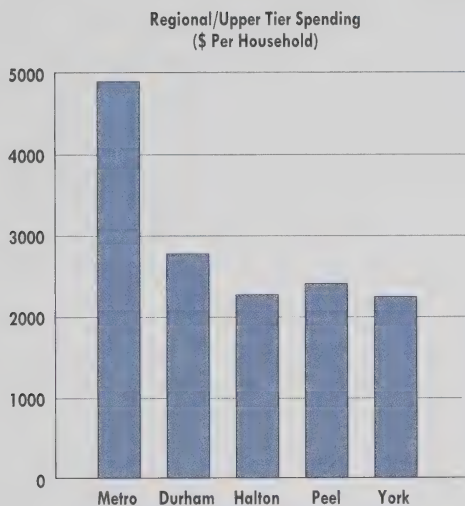
We can also use data from Municipal Financial Returns to compare overall expenditure levels in each region. Exhibit 5.5 shows that Metro Toronto spends more per household than any other GTA region. It also shows, however, that Metro's lower-tier municipalities spend less per household than all other GTA regions except Durham's. In terms of school spending, Exhibit 5.5 demonstrates that Metro is one of the lowest spenders on a per-household basis but the highest spender on a per-student basis. Depending on how the data are analyzed, different conclusions on regional spending patterns can be drawn.

The problem with all of this information is that it does not allow us to evaluate why expenditures on some services are higher in one jurisdiction than in another. As a result, the Task Force was hindered in its ability to analyze and comment on service levels across the GTA. Existing data compiled by the GTCC does, however, reveal significant spending differences across municipalities. These differences highlight the need for benchmarking and the necessity for municipalities to build quickly on the work of the GTCC by identifying the extent to which various factors, such as demographics and quality of service, drive costs and spending. In the meantime, municipal councils should use existing GTCC data to begin their expenditure reviews immediately.

23 Finance Sub-Committee of the GTCC, "Preliminary Report, Net Revenue Requirement" (August 1995), pp. 42 and 53.

STRENGTHENING MUNICIPALITIES

EXHIBIT 5.5: SPENDING LEVELS IN THE GTA REGIONS, 1994



* Student totals based on annual enrolment numbers.

Source: Number of households from 1995 Ontario Municipal Directory; Enrolment totals from Ministry of Education; Regional and municipal spending estimates from Hemson Consulting Ltd.; School board spending estimates from Ontario Ministry of Education and Training.

Recommendation 23

Municipal service delivery data should be collected and analyzed in a uniform and consistent fashion by the Greater Toronto Council in order to provide benchmarks of performance and increase the incentive for municipalities to deliver services in a cost-efficient manner. The first of a series of annual reports should be produced by the Greater Toronto Implementation Commission in 1996, with the support of the Greater Toronto Coordinating Committee (GTCC). The existing data compiled by the GTCC should immediately be made available to municipal councils for their review.

5.5 CREATING MORE ENTREPRENEURIAL MUNICIPALITIES

Over time, municipalities have been made acutely aware that, far from being governments in their own right, they are instead “creatures of the Province” with little or no control over their own destinies. What began as a legitimate parental relationship between the Province and fledgling municipalities that lacked the capacity and resources to manage on their own has now become entrenched as a paternalistic approach that constrains even the largest and most sophisticated municipal governments.

There is a growing consensus that the intrusiveness of this relationship is no longer appropriate and that we cannot afford the costs, delays, and lost opportunities caused by unnecessary administration, red tape, and jurisdictional gridlock. Forty-two years of metropolitan government and 27 years of regional government have contributed significantly to the development and maturation of the GTA's municipalities. While in constitutional terms they may remain the Province's offspring, they have now reached a new maturity that must be recognized.

The *Municipal Act* and related legislation governing municipalities are significant impediments to efficient service delivery because they restrict municipalities from innovation in service delivery. The *Act* provides specific guidelines on what powers can be exercised by municipalities and how they are to be carried out. Unless powers are explicitly set out in the *Act*, they may not be exercised by municipalities. As the City of Mississauga brief to the Task Force notes:

[A]n Act which tries to list specific areas within which a government can legislate becomes immediately outdated. Major revision is needed to replace the specifics of the Act to allow for language that is permissive and general in nature, thereby allowing for flexibility as circumstances change. The Act should indicate broad areas within which municipal councils can function, rather than a checklist of specifics that falls within the boundaries of municipal competence.²⁴

²⁴ City of Mississauga, “Background Paper 1: Running the GTA Like a Business, Governance and Legislative Reform” (Submission to the GTA Task Force, August 1995), p. 5.

The Task Force agrees with these criticisms of the *Municipal Act* and supports the introduction of new legislation that gives municipalities more flexibility and freedom to operate in, and adapt to, the changing economic environment.

Unlike Ontario's *Municipal Act*, which lists municipal council powers and restricts council activity, Alberta's new legislation is broad and permissive in its approach. The Alberta *Municipal Government Act*²⁵ recognizes the diversity of communities and, by legislative authority, gives municipalities the tools to deliver appropriate services. A new municipal act similar to that in Alberta would give GTA municipalities the freedom to run their own affairs, including contracting out service delivery and entering into public/private partnerships. Such opportunities would increase local autonomy and accountability, leading to greater efficiency, lower costs, and an expanded revenue base.

Recommendation 24

In consultation with the municipalities, the Province should introduce a new *Municipal Act* that will empower municipal governments by indicating those broad areas where they can operate and by giving them scope to carry out their responsibilities. The new *Act* should enable municipalities to contract out and enter into public/private partnerships for service delivery.

25 Alberta *Municipal Government Act*, s.a. 1994.

GOVERNING THE CITY-REGION

"Without a regional governance structure that at least has the power to resolve differences among municipalities, how can one be certain that plans for economic development are brought on-line and in balance with conservation, quality land use, and the goal of compact, cost-effective growth?"¹

Neal Peirce

6.1 THE GOVERNANCE CHALLENGE

This report has highlighted the essential role of city-regions as primary and increasingly important generators of wealth in the new global economy. To be competitive in this economy, the Greater Toronto region needs to not only retain existing businesses, but to attract and grow new businesses. Businesses are drawn to, and thrive in, communities where they can find a high-quality workforce, where there is access to a sophisticated transportation and communications network, and where the necessary public services are provided at a reasonable cost. Equally important, the workforce will choose to live in communities where there are good schools, low crime rates, a wide range of cultural and recreational opportunities, a healthy environment with adequate parks and greenspace, and ready access to quality health care facilities and services.

A high quality of life, a skilled workforce, and well developed infrastructure are among the Greater Toronto region's key competitive advantages. Maintaining this advantage means continuing to invest in our physical and human infrastructure and services. In today's climate of severe fiscal constraint, it also means taking a more strategic approach to these investment decisions and ensuring that the services that are provided are delivered as cost-effectively as possible.

Government structure affects the cost and effectiveness of services by enhancing or limiting our ability to introduce cost savings and innovation in service delivery. It determines how much access people and communities have to the system and whether they can influence public decisions concerning the services and programs they value. Finally, government structure affects our capacity to plan and make strategic investments on an integrated, region-wide basis.

¹ Neal Peirce with Curtis W. Johnson and John Stuart Hall, *Citistates: How Urban America Can Prosper in a Competitive World* (Washington, DC: Seven Locks Press, 1993).

Greater Toronto needs a government structure that facilitates the coordination of a number of key functions on a region-wide basis. These include regional planning, infrastructure planning and investment (transit, roads, water, sewer), economic development, and environmental protection. The current government structure does not provide the capacity to plan effectively, coordinate service provision to ensure efficient and effective delivery, or make strategic and cost-effective investments in these areas, despite their critical importance to the competitiveness and vitality of the region as a whole.

Planning: A comprehensive transportation plan for the GTA has not been developed since the 1975 Parkway Belt Plan.² With more than two million additional people projected to live and work here, an integrated Greater Toronto regional and transportation plan is critical. Yet no such plan exists.

Transit: Public transit use is declining in the region, despite various provincial visions and policies for the GTA predicated on increased use.³ There is no overall strategy in place, or being developed, to reverse this trend.⁴ From the user's perspective, cross-boundary transfers and service coordination are significant issues that still need to be resolved.⁵

Major Roads and Highways: The Report of the Provincial-Municipal Infrastructure Working Group⁶ indicates that road congestion, which began to appear in the 1980s, has worsened as increasing numbers of people commute greater distances. Traffic congestion is heaviest along regional boundaries, including the Metro/Peel border in Mississauga and across Metro's northern and eastern boundaries.

2 That plan was approved by the Province in 1978 and was based on the assumptions incorporated in the studies and plans of the sixties (the Metropolitan Toronto and Region Transportation Study, MTARTS, and the Toronto Centred Region Plan, TCR).

3 Between 1986 and 1991, the percentage of total daily trips in the GTA made by car rose from 74 percent to 77 percent. This increase came at the expense of trips by public transit, which fell from 16 percent to 13 percent of total trips. See Metropolitan Toronto Department of Planning, "Metro Toronto in the GTA Economy 1971-1991" (October 1995).

4 See Consulting Engineers of Ontario, "A Transit Vision for the GTA" (Submission to the GTA Task Force, October 1995).

5 See Transit Integration Steering Committee, "Transit Integration in the Greater Toronto Area" (Interim Report submitted to the Government of Ontario, September 1995).

6 See Provincial-Municipal Infrastructure Working Group, "GTA 2021 – Infrastructure Requirements: Report of the Provincial-Municipal Infrastructure Working Group" (Report submitted to the Government of Ontario, 1992).

Water and Sewers: Artificial constraints imposed by regional boundaries currently impede more cost-effective arrangements for sewer and water distribution. For example, Woodbridge, which borders Peel but is located in York Region, could be more cost-effectively served by Peel Region's system, but services are provided by York instead at greater expense.

Economic Development: Greater Toronto lacks a common, coordinated economic development strategy and marketing plan. Municipalities compete among themselves, rather than against other city-regions, nationally and internationally, to attract businesses.

Environmental Quality: Responsibility for addressing environmental issues is divided among the regional and district offices of three provincial ministries, the Ontario Clean Water Agency, five conservation authorities, and various regional and municipal departments.

Given these problems, we need a new government structure that will allow us to coordinate certain critical services on a region-wide basis, while ensuring that these services are cost-effective and responsive to local needs and preferences. Submissions to the Task Force overwhelmingly called for the diversity of the region's many communities to be respected. The degree to which a new government structure balances this strong sense of local identity and our shared interests as interdependent members of a larger community will be a determining factor in its success.

In designing the most appropriate system of governance for our city-region, the Task Force strove to be forward-looking and to produce a structure capable of meeting not just immediate needs, but those of the region as it evolves over the next 25 years. The Task Force was guided by the following four principles:

Principles for Restructuring Governance

Coordination: The new structure should encompass the interests of the entire city-region and foster a common regional identity and purpose. It should support the strategic coordination of certain key services and foster an ecosystem approach to decision-making by integrating environmental, social, and economic considerations. Finally, the structure should respect the importance of the urban core as critical to the economic vitality of the region.

Fairness: The structure should ensure that costs and benefits are shared fairly across the city-region.

Efficiency: The structure should allow services to be delivered by the lowest level of government that has the capacity to do so effectively. It should also be more cost-effective than the current system, delivering maximum value with available resources.

Accountability and Responsiveness: The structure should be as understandable as possible to promote public access, participation, and accountability. It should respect and accommodate diversity and be responsive to the needs and preferences of local communities.

It is important to acknowledge that there are inherent tensions among these principles and no single structure will satisfy them all perfectly. Improved coordination, for example, can only be achieved at some cost to local accountability and vice versa. Designing a government structure involves tradeoffs and the optimal balance is ultimately a question of judgement. Nonetheless, the Task Force attempted to incorporate all these principles in the design of a new governance structure and believes that the structure it is proposing represents a reasonable and workable balance.

6.2 OPTIONS FOR REGIONAL COORDINATION

The Task Force examined four ways to coordinate services on a region-wide basis before arriving at its own recommendation. The four options considered were: stronger provincial leadership, inter-municipal agreements, various forms of a “supercity,” and a coordination model based on a consensus approach. These are discussed below and are followed by our proposed governance model.

Stronger Provincial Leadership

It has been argued that the Province should coordinate services that spill over current regional boundaries. Under this model, the Province would take on new responsibilities, such as developing a Greater Toronto regional plan, coordinating regional economic development efforts, and facilitating inter-municipal agreements to improve coordination of services such as water and transit. Provincial activities on GTA matters would be directed through the current Office for the Greater Toronto Area, a Ministry for the GTA, or some alternative structure at the provincial level.

The Task Force believes that, regardless of how the Government of Ontario is structured, it is inherently unable to meet Greater Toronto's coordination needs effectively. The region must develop its own identity and focus as a city-region if it is to compete effectively with other city-regions internationally. The provincial government, by definition, cannot achieve this focus because it defines its constituency Ontario-wide. It also lacks the capacity to advocate freely and effectively on behalf of the city-region, a function that is essential to the GTA's ability to influence federal and provincial policies affecting the region.

The Task Force also believes in the principle of *subsidiarity*, whereby services are most efficiently and effectively delivered by the most local level of government capable of providing them. On this basis, a regional coordination function would be both more accountable and less expensive than a provincial one.

Some have suggested that the goals of improved coordination on GTA-wide issues could be achieved through inter-municipal agreements, without resorting to the creation of a new region-wide entity.

Inter-municipal Agreements

While inter-municipal agreements can be effective, their usefulness is limited. They are used primarily for emergency services (firefighting and emergency dispatching), traffic signal maintenance, maintenance of boundary roads, and financing (transfer of levies and issuing debentures). Agreements are generally designed to reduce costs, formalize joint obligations on cross-boundary infrastructure, or set out the obligations of lower and upper-tier municipalities with regard to fees, transfers, and joint infrastructure.

These agreements work well for small, easily contracted-out services or to establish inter-municipal cost-sharing. They are not, however, a solution to the problem of GTA-wide coordination. Inter-municipal agreements provide no accountability except through the contract or agreement. They lack flexibility and are difficult to adapt to changing circumstances. Furthermore, they increase the likelihood of inter-municipal litigation and conflicts. Examples of conflicts abound. There continue to be water disputes between York and Metro,⁷ Peel and Halton, and Peel and York regions; sewage disagreements between York and Durham regions; and mismatched road plans between Metro and Durham regions.

Ill-will created by other conflicts, such as tax-based competition for business and fights over garbage disposal, adds to the difficulty of resolving these disputes. The processes available for doing so — the Courts, the Ontario Municipal Board, and the Environmental Assessment Board — are time-consuming, costly, and unpredictable. These remedies only aggravate the tensions between the parties.

⁷ York Region is considering obtaining its long-term water supply from Durham, Peel, and/or Georgian Bay, even though the practical and economic solution would seem to be to work cooperatively with Metro.

While inter-municipal agreements can lead to improved coordination and efficiencies with regard to discrete services or financial arrangements, they are not a suitable mechanism for achieving GTA-wide integrated planning and ensuring strategic investment decisions.

Metro's "Supercity" Proposal

In its submission to the Task Force, Metro Toronto proposed that its structure and jurisdiction be extended to encompass a large part of the GTA, including Oshawa to the east, Markham and Vaughan to the north, and Burlington to the west. As a directly-elected government, it would replace existing regional governments in these areas and deliver a wide range of services, including regional planning, transit, community services, police, and roads. The cost of these services would be pooled across the new region.

Metro's proposed structure has been called a "supercity" because of its extensive size and powers. The Task Force rejected this model on the basis that too many services would be delivered at the regional level. Some of Metro's regional services — roads are an excellent example — can and should be delivered by local municipalities to ensure maximum local responsiveness and efficiency.

While other services need to be coordinated across municipalities, this can be accomplished without the creation of region-wide service delivery agents. Our analysis, supported by advice we received from submissions and consultations, suggests that a number of services, such as police and transit, would not benefit from GTA-wide amalgamation. The Task Force is recommending that these services be coordinated, but rejects the notion that all costs be pooled or that operations necessarily be amalgamated.

Growth management and planning in the supercity's urban shadow would also pose problems under this model. Metro's proposed region includes primarily urbanized areas. Our understanding, based on consultations with planners and a review of similar experiences in other jurisdictions, is that this scheme will concentrate future development in greenfields just beyond the proposed regional boundary, encouraging yet more sprawl and encroaching on the very rural areas people wish to conserve. As we argue in Section 6.3, regional planning must encompass both urban and surrounding rural areas if it is to be effective and achieve more efficient use of land and infrastructure.

The Consensual Model

The consensual model is yet another alternative the Task Force considered. There are a number of possible consensual arrangements. One such arrangement, the GTA Mayors' and Chairs' Committee, has undertaken a

number of useful coordination initiatives. However, its inherent organizational weaknesses — lack of mandate, lack of representation by population, and its evident inability to achieve consensus on matters of specific policy — led the Task Force to seek other more workable options.

Of all the existing consensual models, the Greater Vancouver Regional District (GVRD) has drawn the widest praise for being workable.⁸ However, after examining the GVRD experience closely, the Task Force determined that this model is both inappropriate for our governance needs and inconsistent with our political culture.

While the GVRD has generated a noteworthy level of consensus on an overall ecological vision for the Vancouver Region, this process took twelve years and the agreed-upon vision fails to coordinate regional planning decisions any more effectively than does the current structure in the GTA.

Moreover, Ontario and British Columbia have very different political cultures and traditions of planning and governance. The voluntary consensual approach embodied in the GVRD structure would be a major departure from Ontario's planning system, which has historically operated more vertically, with each tier requiring approval from the one above.⁹

As well, the GVRD differs significantly in the scope of its functions and budget. In British Columbia, transit and social services are provincially funded, which is not the case in Ontario.

6.3 A NEW GOVERNANCE STRUCTURE FOR THE CITY-REGION

The Task Force believes it is necessary to plan and deliver selected functions at the Greater Toronto level in order to eliminate the problems arising from the lack of coordination among GTA municipalities. In our view, the best way to achieve this is to replace the five regional governments with a single Greater Toronto regional government with a more limited range of functions and to expand the powers and responsibilities of the GTA's area municipalities.

We believe that this proposed model will be more effective than the consensual GVRD model, more streamlined than the supercity model proposed by Metro, more workable than a myriad of inter-municipal agreements, and more responsive to Greater Toronto's needs than strengthened provincial leadership.

8 John Barber, "Mending Our Lovely Metros," *Globe and Mail* (Sept. 9, 1995), pp. D1 and D5. Also Andrew Sancton, *Governing Canada's City-Regions: Adapting Form to Function* (Montreal: Institute for Research on Public Policy, 1994), p. 82.

9 It is worth noting that the British Columbia planning system has recently been amended to require conformity between regional and local plans, similar to the Ontario system, in order to improve regional planning coordination.

Recommendation 25

The Province should implement the following changes in the governance of Greater Toronto:

- replace the five existing regional governments with a single Greater Toronto regional government with a more limited number of functions; and
- strengthen local municipalities with added powers and the responsibility for delivering a wider range of local services.

**The City-
Region's
Boundaries**

Various suggestions were put forward with respect to external boundaries for the GTA:

- the status quo, or continuing with the current boundaries;
- a Greater Toronto region to include primarily the present and prospective urban envelope;¹⁰ and
- the status quo, with relatively minor modifications.

The first option is based on the premise that the case for changing the existing boundaries is not compelling enough to justify the disruption, controversy, and expense that would necessarily be involved. In many of our consultations, people argued that no set of boundaries is ideal and that the outcry arising from any proposed changes could obscure and even undermine more important reforms. As well, changes to the region's external boundaries would disrupt existing regional cost-sharing arrangements and necessitate costly restructuring in some areas. The Task Force gave serious consideration to these arguments.

The second option, a proposal to reduce the external boundaries of the GTA to encompass only the essentially urbanized territory and its economic activities, also has some merit. The current GTA boundaries are based on county boundaries established 150 years ago. They do not correspond to the actual Toronto commutershed, the Statistics Canada census metropolitan area (CMA) definition which includes Orangeville and parts of southeast Simcoe County, or the obvious natural boundaries marked by the Niagara Escarpment and the Oak Ridges Moraine. Nor are they aligned with the existing "sewershed," the piped water and sewer service area.

10 North York has submitted a variation on this proposal which would not alter the GTA's external boundaries as such, but would limit the newly created "Greater Municipal Federation" to current GTA municipalities with populations of 50,000 or more. Rural municipalities could opt out of the Federation if they chose.

Another variation, proposed by Professor Eli Comay, would limit the GTA to Oakville, Mississauga, Brampton, Vaughan, Richmond Hill, Markham, Pickering, Ajax, and Metro's municipalities. The rest of Durham Region, Aurora, Newmarket, and most of Halton Region would be excluded. This territory has a present population of around 3.7 million (2.3 million in Metro and 1.4 million outside Metro), and a prospective population over the next 15 years of 4.5 million. The new municipality would cover an area of around 850 square miles (3.5 times Metro's present size) and would encompass the bulk of the growth likely to occur over this period in what is now the GTA.

The artificiality of the current political boundaries renders them too large for some purposes, too small for others. The majority of submissions recommending changes were in favour of reducing the current scale of the GTA in order to make the upper-tier as cohesive as possible and to avoid making it too large to be responsive to local communities.

Despite these legitimate considerations, several arguments have persuaded the Task Force that limiting the region's boundaries to the current and prospective urban envelope would be ill-advised. The primary argument is that this proposal would create problems with respect to planning in the so-called "urban shadow" — those rural areas close to the urban edge.

In its first two decades, Metro dealt with this issue by having its planning authority extended over the adjacent areas — an area approximately twice as large, in total, as Metro itself. The inclusion of the fringe in Metro's planning jurisdiction was partly successful in addressing growth management issues.¹¹ Today, however, it is doubtful that an extended planning jurisdiction would be politically acceptable or effective in managing growth. Planning control, in the absence of political and financial accountability, would be untenable.

The exclusion of municipalities in the urban shadow from the newly defined city-region would also end the regional tax sharing from which they currently benefit. This would force them to expand their own tax bases through commercial and industrial development, however inappropriate or unwanted, and leave them less able to resist other development pressures invited by their proximity to urban areas.¹² Carl Goldenberg addressed these same issues thirty years ago in his *Report of the Royal Commission on Metropolitan Toronto*:

The extension of Metro's boundaries to include only the urbanized portions of the fringe would create serious financial problems for the remaining parts of the counties by removing a major portion of their taxable assessment. One result would be pressure for a more balanced tax base and the creation of a new urbanized fringe.¹³

11 The Roberts Report acknowledged the need for an extended upper-tier boundary but was prevented from recommending the necessary changes by its terms of reference and by the then relatively recent provincial decision to establish the GTA's other regional municipalities in the early 1970s. Roberts argued that acceptance of Metro's existing boundaries was contingent on the creation of a new Greater Toronto Coordinating Agency and "an even stronger [provincial] role" in the development of the region. See *Report of the Royal Commission on Metropolitan Toronto*, "Metropolitan Toronto: A Framework for the Future," Vol.1, John Roberts, Commissioner (Toronto: Queen's Printer, 1977), p. 9.

12 These areas are subject to distinct pressures caused by their proximity to urban areas. Toronto's urban growth drives up rural land values, increasing the demand for rural estate lots and severances, fragmenting family farms, and changing the make-up of the rural community. Encroachments on old cottage areas, including new recreation uses and sand and gravel extraction for Toronto's construction industry, place additional strains on the rural environment.

13 *Report of the Royal Commission on Metropolitan Toronto*, Carl Goldenberg, Commissioner (Toronto: Queen's Printer, 1965), p. 169.

Another persuasive argument for broader boundaries is that the Oak Ridges Moraine is a critical natural feature which should not be split for planning purposes. Protecting this resource and its function as a groundwater recharge area requires that it be treated as a single comprehensive landform.

Others called for the third option, the status quo with some boundary modification. For instance, some argued that Burlington is, in every sense except government, an integral part of the Hamilton region. According to this view, Burlington's direct municipal affiliation with Hamilton-Wentworth is overdue. Alternatively, based on commuting patterns, Burlington could be divided at Appleby Line, with one half going to Hamilton-Wentworth and the other to the Greater Toronto region. The City of Burlington has acknowledged that it occupies a "unique bridge position between the Greater Toronto Area and the Hamilton Niagara Area,"¹⁴ and has indicated that it wishes to reserve the right to choose its regional affiliation.

Based on the three criteria noted earlier in Chapter 1 — *commutershed*, *cohesiveness*, and *anticipated development* — the Task Force's own analysis revealed that, while most of the Greater Toronto region is inextricably linked by discernible economic, social, and environmental relationships, the north-eastern portion of the region (namely northeastern Durham) is something of an exception. Ties are weaker in this area from the perspective of both commuting patterns and regional identity.

A similar case can be made for the eastern half of Clarington, based on the many features it has in common with Northumberland County and its inclusion in the Ganaraska watershed. It is significantly removed from the GTA's urbanized and urbanizing areas and has more in common with the adjacent counties than with the rest of Greater Toronto. Moreover, there is little pressure for large-scale additional development in this area, a situation unlikely to change significantly over the next 25 years.

The Town of Georgina is also a possible candidate for realignment although, unlike the other areas cited, it is planning for significant new development. The Task Force understands that planning for the extension of Highway 404 to Keswick is well advanced and that the extension, if approved, will provide further impetus for northerly growth. The Task Force believes that the urban envelope of the GTA is already sufficient to accommodate the city-region's growth without building this extension. However, a Provincial decision to approve the extension of Highway 404 would necessitate Georgina's inclusion in the GTA.

Given such considerations as the urban shadow, commutersheds, and the benefits of a cohesive region, two other areas could be considered as candidates for inclusion in the Greater Toronto region: the southern portion of Simcoe

14 See Burlington City Council, "Greater Toronto Area Governance" (Submission to the GTA Task Force, September 1995).

County around Bradford and Dufferin County around Orangeville. Both areas are in Greater Toronto's urban shadow and can expect increased urbanization. However, the negative financial impact on the two affected counties would be significant — Simcoe has just completed a major restructuring and Dufferin would be forced to do so if Orangeville were added to the region. Consequently, the Task Force does not recommend their inclusion.

Exclusion of the areas noted above from the Greater Toronto region could produce a more cohesive, interdependent, and logical city-region. This would involve the transfer of Georgina, Brock, Scugog, and portions of Uxbridge and Clarington to adjacent counties.¹⁵ Transfer of these areas would reduce the geographic size of the region by approximately 25 percent.

Because of our accelerated timeframe, the Task Force was unable to validate this proposal through a public process. However, we believe the proposal should be reviewed in conjunction with the municipal restructuring process discussed in Section 6.9 of this chapter.

Recommendation 26

Revision of the external boundaries of the Greater Toronto region, consistent with the criteria of commutershed, cohesiveness, and anticipated development, should be referred to the Greater Toronto Implementation Commission and considered in conjunction with the municipal restructuring process.

In establishing the governance system for the Greater Toronto region, the Task Force again applied three key criteria. First, representation should be proportional to population. Second, the Council should be small enough to be effective (ideally approximately 30 councillors). Third, there should be a political link between the Greater Toronto regional body and local councils. Based on these criteria, five options for electoral structure were considered:

The Greater Toronto Council

1. **Direct election**, with wards of 200,000 - 250,000 people and a council of 20 based on current population. This is a clear and understandable system, consistent with the principle of direct accountability. However, by creating a distinct and separate entity that is not composed of members of constituent local councils, this system invites friction between the upper and lower tiers. Further, there is no evidence that electing councillors directly to a regional body reduces parochialism.

¹⁵ These portions of Uxbridge and Clarington correspond to the former Townships of Scott and Clark, and the Village of Newcastle.

2. **Double direct election**, a form of indirect election whereby voters elect regional councillors at large from within the local municipality to sit on local council and regional council, is currently used in all the regions. This system allots larger municipalities more regional councillors so that their representation on the regional council is roughly equal to their share of the regional population.

This option is not viable with the current number of municipalities, as the Council would be too large to be effective. To keep the Council to about 30 members while providing representation proportional to the population of each municipality, the number of municipalities would have to be reduced substantially.¹⁶ This would compromise the principle that the structure should be as responsive as possible to diverse local communities.

3. **Indirect election**, in which each GTA mayor (or a member of municipal council designated by the mayor) would be given a seat on the Greater Toronto Council and a vote weighted according to the population of the area they represent. This model would create a smaller, proportionally-weighted and representative Greater Toronto Council. While this option is consistent with the principles stated earlier, its primary disadvantage is the complexity of the voting mechanism.
4. **A variation of the double direct system** combined with a system of weighted and capped votes. Each Greater Toronto mayor would be entitled to a seat on the Council. Each mayor (or designate) would have maximum of five votes (one vote per 60,000 population) on Council. The mayors of the larger municipalities would represent up to 300,000 people. Municipalities with populations greater than 300,000 would select additional municipal representatives to sit on the Greater Toronto Council, each with a maximum of five votes on the basis of one vote per 60,000 population.

This system of weighted votes, combined with a cap on the number of votes, is working well in the Greater Vancouver Regional District.¹⁷

16 For example, even if the number of municipalities were reduced to 17, with populations ranging from 100,000 to 900,000, the size of the Council would still be too large to be effective. To ensure fair representation by population, it would be necessary to assign one member per 100,000 population. The largest municipality alone would require eight councillors. The overall result would be a Council of at least 42, or even greater if municipalities smaller than 100,000 remained.

17 Formed in 1967, the Greater Vancouver Regional District (GVRD) administers regional services for 1.8 million people, including 23 municipalities, districts, and electoral areas and the City of Vancouver. The population-weighted voting formula (*British Columbia Municipal Act*, 1989 R.S. 290, Part 24) results in 31 local politicians on the GVRD Board with 95 total votes (GVRD Annual Report, 1994). The provincial government has reviewed the voting process in several studies and continues to support it. The GVRD has demonstrated its flexibility by successfully adding new municipalities without altering the basic voting formula.

However, without local restructuring to reduce the number of participating municipalities, the size of the Council would be unwieldy at more than 30 members.

5. **Indirect election, based on municipalities of approximately 140,000 or more residents** (4.2 million divided by 30 members), and the combination of smaller municipalities into electoral districts of approximately 140,000 residents. Each of these municipalities and electoral districts would be represented by a mayor or mayor's designate. Larger municipalities, with more than 140,000 residents, would be entitled to additional representatives on the basis of one for each additional 140,000 population ($\pm 70\,000$). For example, the City of York (population 140,500 in 1991) would send only its mayor (or designate) to the Council. North York (population of 563,883 in 1991) would send its mayor or designate and three additional representatives ($140,000 \times 4 = 560,000$).

Smaller municipalities within combined electoral districts would select a joint representative from among their mayors or from among council members designated by the mayors. This position could rotate among the municipalities on a regular basis, if the municipalities involved so decided. With this system, keeping Council to approximately 30 members would not be contingent on widespread municipal consolidation, nor would it involve the complexity of a weighted voting system.

The Task Force is recommending the fifth option on the basis that representation on the Greater Toronto Council would be proportional to population and its deliberations would not be distorted by having a disproportionate number of seats occupied by smaller municipalities. At the same time, this option ensures the size of the Council will be kept within manageable limits at approximately 30 members.¹⁸ It also offers smaller municipalities the option of working cooperatively within combined electoral districts to ensure that their interests are well represented, rather than imposing widespread municipal consolidations solely for the purpose of keeping the Council to a workable size. Finally, it also creates a direct relationship between the regional Council and local councils, thereby reducing the potential for friction between the two tiers and enhancing municipal involvement in region-wide planning and decision making.

18 Population should be determined by the most recent census data. 1991 census data was used in our illustration of Council representation by municipality/electoral district (see Exhibit 6.1), but 1996 Census data should be used to revise the allocation of seats on Council as soon as it is available.

Without knowing the full extent of local restructuring, it is difficult to delineate the precise boundaries of the new electoral districts. Exhibit 6.1 shows, for illustrative purposes only, one option for creating electoral districts. Whether Brock, Scugog, parts of Uxbridge and Clarington, and Georgina are to be included in the Greater Toronto region will affect the determination of electoral districts in Durham and York regions.

Recommendation 27

The Province should establish an indirectly elected Greater Toronto Council for the Greater Toronto region:

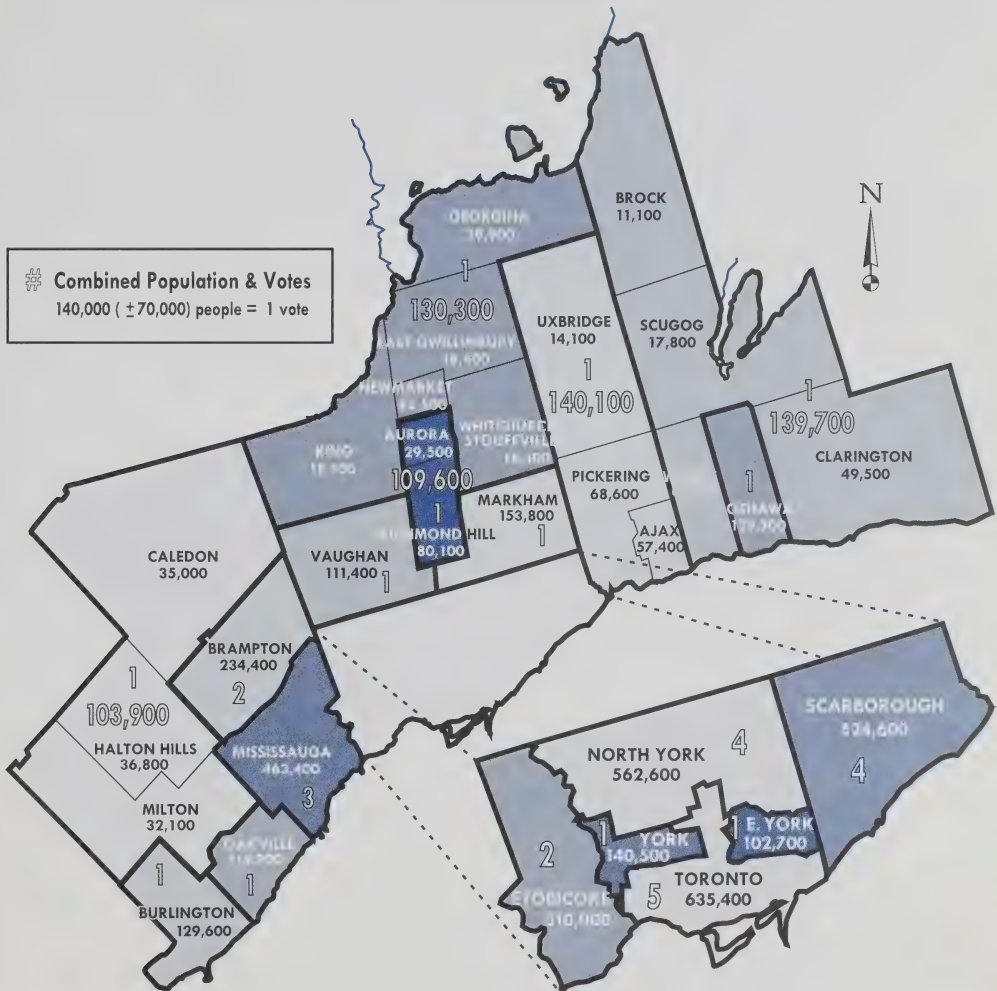
- including the mayor (or member of council designated by the mayor) of each municipality with a population of 100,000 or more;
- with provision for municipalities with populations greater than 140,000 to send more representatives from their local council, on the basis of one councillor for each additional 140,000 ($\pm 70,000$) residents;
- including one mayor (or member of council designated by the mayor) from each newly created electoral district, selected by mutual agreement by the constituent local councils;
- with each Greater Toronto Council member having one vote; and
- limited to approximately 30 members.

The Council must have an Executive Committee to ensure that matters before it are managed as expeditiously and effectively as possible. The Task Force gave careful consideration to the make up of this committee. While the Council itself should have the prerogative to select its Executive, the Task Force believes that two distinct perspectives must be represented on the Committee. The first is that of the City of Toronto, on the basis that the continuing health and vitality of Toronto's core is critical to the health of the entire region and that, consequently, the City must be involved in key decisions taken by the Executive. The second is that of the smaller, largely rural municipalities which represent a distinct and important perspective but, because of the small number of votes they will hold, may not secure a place on the Executive Committee.

For this reason, the Task Force recommends that the Executive Committee be selected at large from the Council, with the exception that one seat be reserved for the Mayor of Toronto or the Mayor's designate, and one seat reserved for a representative selected from those municipalities comprising the 25 percent with the smallest populations.

GOVERNING THE CITY-REGION

EXHIBIT 6.1: ILLUSTRATION OF ELECTORAL DISTRICT CONCEPT



Recommendation 28

The Greater Toronto Council should be guided by an Executive Committee of six members, comprising:

- the Chair of the Council;
- the Mayor of the City of Toronto (or a member of council designated by the Mayor);

- a member selected by those municipalities comprising the 25 percent with the smallest populations; and
- three members selected at large by the Council from among the remaining members.

Based on precedent, the Province would appoint the first Chair of the Council. Thereafter, the Council would elect as Chair any one of its own members or any other person. If elected from outside the Council, that person would have no vote except in the event of a tie. If elected from Council, the Chair would have one vote as of right as a councillor and a second vote only in the case of a tie.

A Chair who already holds an elected office is more directly accountable to the public, even if only to a narrow portion of the GTA's total constituency. An outside Chair, on the other hand, may be more impartial, more able to concentrate full-time on GTA matters, and more likely to adopt a regional perspective on issues, unconstrained by local interests.

Recommendation 29

The Province should appoint the first Chair of the Greater Toronto Council, either from within or from outside the Council, for the first term. Thereafter, the Council should be empowered to elect as Chair any one of its members or any other person.

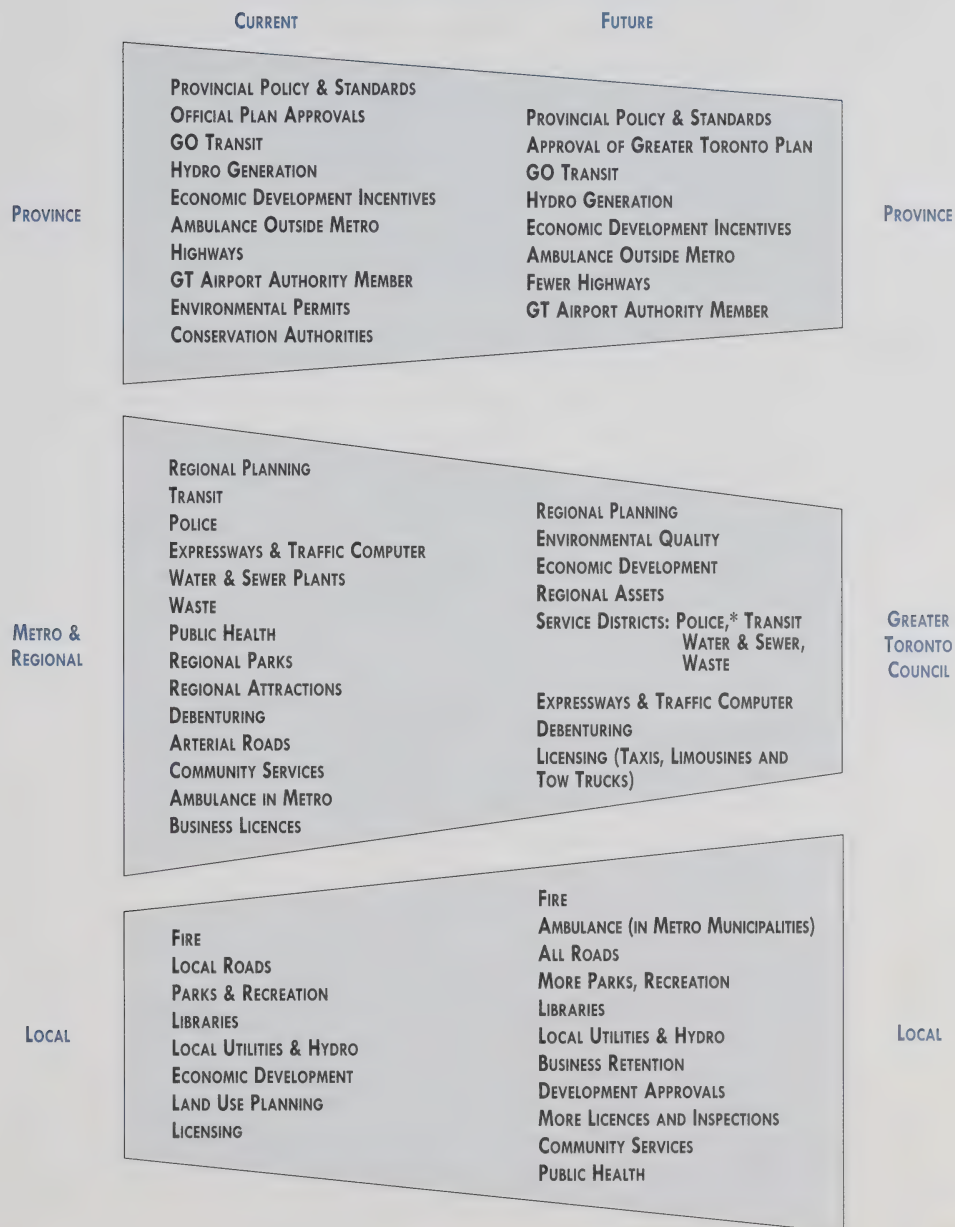
6.4 EXPANDING THE MUNICIPAL ROLE

Many of the submissions to the Task Force indicated that people feel the greatest connection to and trust for the level of government closest to them. This notion was reiterated by many studies and public opinion polls,¹⁹ and is supported by the principle of subsidiarity described earlier in this chapter.

The Task Force agrees that, wherever possible, services should be delivered by local municipalities to ensure maximum efficiency and responsiveness to local needs and preferences. The Greater Toronto Council will have only responsibility for services that are key to our competitiveness, require planning and coordination on a region-wide basis, or cannot reasonably be provided at the local level. All other services previously delivered at the regional level will be devolved to local municipalities.

¹⁹ Environics, "Focus Ontario" (1995).

EXHIBIT 6.2: STREAMLINED SERVICE DELIVERY IN GREATER TORONTO



* To be reviewed.

Consequently, municipalities will be responsible for delivering a broader range of services than they currently provide. This will have significant implications for financing, staffing, and administration at the local level. While larger municipalities may welcome these additional roles, some smaller municipalities may find the transition more difficult.

Municipalities that lack the capacity to undertake all these new functions may choose to contract with other municipalities to provide them. Ultimately, however, the capacity of individual municipalities to assume the full range of responsibilities outlined below should be taken into account in the municipal restructuring process described in Section 6.9 of this chapter.

Community Services

Community services — welfare, hostels, children's services, and homes for the aged — are currently the largest regional municipal gross expenditure (42 percent) and a significant net expenditure. Under the disentanglement proposal set out in Chapter 5, funding for welfare, hostels, and children's services will become the responsibility of the Province, while funding for homes for the aged will be assigned to municipalities.

Community services currently delivered by the five regional municipalities will become the responsibility of local municipalities. The Task Force believes that this approach will be more efficient and responsive to local needs than a GTA-wide delivery system.

Public Health

Public health services — community health planning, health protection and promotion, communicable disease control, and contracted services (e.g., home care services) — are currently a local responsibility in Metro, but a regional responsibility in Durham, Halton, Peel, and York. In each case, funding is cost-shared with the Province. The Task Force recommends that all service delivery and funding for public health services be assumed by local municipalities.

During our consultations, public health officials emphasized that public health services must remain essentially municipally-based to be effective.²⁰ Integration of these services with other municipal functions, such as housing, land use planning, public works, and community services, is necessary in order to address the broad determinants of health.

Health officials also indicated that a population size of 250,000 to 1 million is the appropriate base for effective public health planning. Municipalities in the Greater Toronto region currently vary widely in size, however, with many falling below this threshold. It was suggested that if regional governments were to be eliminated, health departments should be governed by an elected board of

²⁰ See August 30, 1995 submission to the Task Force from Dr. Robert Kyle, on behalf of the commissioners and medical officers of health from Durham, Halton, Peel, and York Regions.

health or a municipal council. Both of these would also be options if a health department needed to service more than one municipality to achieve the desired population base. However, if a single municipal council were selected to govern a health department serving other municipalities, some mechanism would be required to ensure adequate accountability.

The Task Force is reluctant to propose the creation of an elected special purpose body for public health, but believes that municipalities should exercise their own discretion with regard to creating public health boards that are directly accountable to council if they so wish. The Task Force also believes that effective delivery of public health services across municipal boundaries can be achieved through inter-municipal agreements.

Fire services are a local municipal responsibility across the Greater Toronto region. Each municipality has its own fire department with fire stations, a local dispatch system, and a communications centre for operations.

Fire Services

Recent reports and some submissions to the Task Force suggest better coordination or even amalgamation of fire services could create efficiencies. It has been claimed that administrative services are duplicated and that staff training and public education are too decentralized.²¹ Claims have also been made that existing municipal boundaries, combined with ineffective coordination between municipalities, have resulted in an excessive number of fire stations.²²

Although there may be some truth in these arguments, the Task Force found no empirical evidence that net savings would be achieved if fire services were amalgamated in Greater Toronto. Rather, amalgamation is likely to lead to a raising of salaries and standards.²³ Because the bulk of fire department budgets are directed towards salaries and wages,²⁴ any benefits stemming from the amalgamation of purchasing or dispatch services, for example, are likely to be outweighed by increased wage bills.

21 See the Ontario Fire Marshal, "Public Fire Safety and Legislative Reform in Ontario" (Fire Marshal's Report to the Solicitor General, 1995) and submission to the GTA Task Force by Thomas L. Powell, Scarborough Fire Chief.

22 See Fire Marshal's Report to the Solicitor General (1995) and Fire Service Review Committee, "Fire Service Review Committee and Subsequent Deliberations" (Report to the Solicitor General, 1990).

23 In Greater Toronto, average salaries (excluding benefits) for "first class" firefighters currently range from a low of \$49,370 in Burlington to a high of \$53,510 in Scarborough. The average area serviced by individual stations varies from about 3.7 square kilometres in Toronto to about 228 square kilometres in Scugog and 412 in Uxbridge.

24 Salaries, wages, and benefits generally comprise between 85 and 95 percent of total fire department spending. As examples, salaries constitute 94.2 percent of Mississauga's fire budget, 88.5 percent of Toronto's and 89 percent of Vaughan's.

In light of these potential drawbacks to amalgamation and the absence of information on how amalgamation would impact on costs, the Task Force was not persuaded that the current system of local delivery should be changed. We were persuaded, however, that the government should investigate potential cost cutting through improved coordination or possible integration of some services and facilities.

Recommendation 30

Fire services should remain a local responsibility at this time. The Province should investigate the potential for improving cost-effectiveness through improved coordination or possible integration of some services and facilities.

Ambulance Services

Ambulance services in Metro are funded and delivered differently than those in the rest of the city-region. While services are provincially funded at approximately 52 percent of total expenditures in Metro, they are fully funded in the other regions. Metro coordinates delivery within its boundaries, while the Province coordinates delivery everywhere else in Ontario. Service delivery agents include hospitals, municipalities, and private companies.

In principle, all ambulance services should be funded by the Province as an integral part of the health care system. The current funding model is consistent with this principle everywhere except Metro. It is debatable, however, whether the Province should increase funding for Metro's ambulance services up to 100 percent of total expenditures. The Province currently spends about \$16 per capita on ambulances in Metro, compared to \$12 per capita elsewhere in the GTA.

Without further study, the Task Force is unwilling to propose full provincial control and funding in Metro's municipalities because this might undermine the quality of their ambulance services.²⁵ In addition to studying ambulance funding in Metro, the Province should address the following issues that were raised in submissions or recent reports on emergency medical services:²⁶

Geographic Scale for Delivery: The Province coordinates delivery in all areas except Metro. Many of the municipal submissions to the Task Force argued that delivery coordination should be devolved to the regional or local

²⁵ At the time of writing, Metro Toronto was carrying out a study on ambulance services and was scheduled to present its findings and recommendations in December.

²⁶ Recent reports on the subject include: The Ministry of Transportation's Report of the Community Transportation Review, 1994; The Final Report of the Emergency Medical Services Review, December 28, 1991; and The Organization and Governance of Emergency Health Services: A Comparative Review, October, 1991.

municipal level. These options, along with the option of full provincial control, should be investigated to determine whether response time can be improved without increasing costs.

Possible Amalgamation of Ambulance and Fire Services: Ambulance and fire services both require dispatch systems which may overlap. Fire departments are often the first to arrive in cases of medical emergency, even though they are not as qualified as ambulance personnel to respond to emergencies of this nature. Some municipalities suggested that amalgamating ambulance dispatch systems with fire dispatch systems would both reduce duplication and improve response times.²⁷

Recommendation 31

The Province should review the appropriate scale for coordination of ambulance services, and the possible amalgamation of ambulance and fire services, with a view to achieving greater efficiencies and improving response times. This review must be completed prior to the restructuring of municipal governance in 1997.

Responsibility for urban roads has historically been divided between upper and lower-tier municipalities in order to ensure an adequate distinction between regional and local traffic needs. Prior to Metro being established, the Province and the County of York provided roads between urban areas. This arterial grid was turned over to Metro in 1954, with the exception of some major streets that were deemed integral to the local community and placed under local control.²⁸ Since 1954, Metro has maintained this arterial grid, expanding and enlarging it where needed to improve traffic flow across the Metropolitan area.

Streets and Roads

A similar process took place in the Regions of Durham, Halton, Peel, and York during the 1970s, when reconciliation of upper and lower-tier roads took place and arterial roads were transferred from the counties to the new regional municipalities.

The Task Force believes that Greater Toronto's urban municipalities now have the capacity and expertise to assume full responsibility for all urban streets, avenues, and roads. Because the degree of technical knowledge in the transportation field is far superior to that in 1954, urban municipalities are fully capable of planning for these arterials and the adjacent land uses simultaneously, thus averting the jurisdictional conflicts that have characterized so many development applications. With only one level of government involved, integrating the land and transportation uses of streets and roads will be far simpler.

²⁷ At the same time, the Province is actively pursuing the integration of fire dispatch into the ambulance dispatch system in some communities.

²⁸ Examples in the City of Toronto include King Street, Queen Street, and Bay Street.

In rural areas, roads that are currently a local responsibility will remain so. Regional roads will not be devolved to local municipalities, however, as the rural regional road network is extensive and the costs associated with maintaining it are beyond the capacity of rural municipalities to absorb. Assignment to the regional level will ensure that these roads, which are integral to the timely movement of goods across the region, are adequately maintained and operated.

Local municipalities will remain responsible for functions related to the roads they have been assigned, including street cleaning, snow removal, garbage collection, lighting, parking, signage, hydro distribution, and coordination with other utilities throughout the community.

The Province is currently in the process of transferring responsibility for its old highway network to regional municipalities. Highway 2 in Durham Region and Highway 11 in York Region have been transferred to the regional municipalities, following negotiations which took into account the condition of the roads and the cost of maintaining them. The disposition of other former provincial highways is still to be resolved. The Task Force recommends that, as these roads are devolved to the municipal level, those in urban areas should be assigned to local municipalities, while those in rural areas should be assigned to the Greater Toronto Council.

The highway and expressway system and central traffic control are appropriately regional functions and should be dealt with at the Greater Toronto level.

Recommendation 32

Responsibility for streets, roads, and old provincial highways should be assigned as follows:

- all urban streets, avenues, and roads should be the responsibility of local municipalities;
- all local roads in rural communities should be the responsibility of the local municipality;
- all regional roads in rural areas should be the responsibility of the Greater Toronto Council; and
- as the Province devolves responsibility for old provincial highways, those in urban areas should be assigned to area municipalities, while those in rural areas should be assigned to the Greater Toronto Council.

Parks and Recreation

Parks, recreation facilities (pools, arenas, sports fields), and community centres will all be local municipal facilities. Municipalities will also be responsible for managing libraries, promoting arts and culture locally, and protecting heritage buildings, structures, and artifacts.

School Land and Buildings

One issue that was raised with the Task Force, but which we did not fully address due to our accelerated timeframe and the limitations of our mandate, was that of school capital funding and management. Greater Toronto school boards are currently responsible for more than 100 million square feet of school buildings. In our consultations, we learned that school boards and municipalities are concerned about the lack of coordination in the planning and development of school facilities. Concerns were also expressed that communities may not be making full use of these valuable facilities. Municipal leaders believe that there would be land acquisition, planning, and operational benefits to assigning the building and management of school facilities to local municipalities. The Task Force suggests that, while these issues lay beyond its mandate, they deserve further examination.

Municipal Electric Utilities

The retailing of electrical power in Ontario is regulated by the *Public Utilities Act* and the *Power Corporation Act*. Under this legislation, Ontario Hydro sells power to 21 local hydro and public utility commissions in Greater Toronto. The governing structures of these utilities vary according to the legislation for each regional municipality. Some have members appointed by municipal council, including the mayor and some councillors as *ex-officio* members. Nine utilities have commissioners elected by the public.

The Roberts Commission on Metro Toronto recommended that hydro commissions, together with all other special purpose bodies except school boards, be abolished on the basis that they were not as accountable as municipal councils and made the system less comprehensible to the public. Commissioner Roberts concluded, and the Task Force agrees, that the practice of electing members to these commissions complicates the municipal ballot unnecessarily.

The Task Force believes hydro commissions should be accountable to area municipal councils and that their members should be appointed by council, rather than elected. However, because municipal electric utilities and their associations anticipate substantial restructuring of their sector over the next two years, with major implications for power retailing and the associated municipal structures, the Task Force has decided not to make additional recommendations in this field.

Recommendation 33

Municipal electric utilities should be accountable to area municipal councils and their members should be appointed by the councils.

Licensing

There are currently a variety of arrangements for licensing local businesses in Greater Toronto. The *Municipal Act* generally assigns business licensing to area municipalities. However, enabling legislation for York Region and Metro Toronto assigns them licensing jurisdiction over taxicabs, limousines, tow trucks, building trades, restaurants, bakery and meat shops, and garages, among other types of businesses.

The Task Force recommends that all licensing functions currently delivered by regional governments be devolved to area municipalities, with the exception of licensing for taxicabs, limousines, and tow trucks.²⁹

Development Approvals and Permits

New development proposals will follow a much more streamlined approval process than they have in the past.³⁰ The devolution of regional roads and some former provincial highways to urban municipalities will give local municipalities total jurisdiction over planning adjacent to major roads and will eliminate the need to seek approval from the regional level.

As well, the Task Force recommends that the Province delegate to the municipalities a range of environmental services, including:

- issuing licences, permits, and certificates of approval for soil and ground-water management programs, air quality plans, noise mitigation, dust control, and other activities associated with development applications;
- preparing sub-watershed stormwater and drainage plans; and
- remediation and enhancement projects on public lands.

Municipalities will also be responsible for integrating environmental considerations into municipal plans and zoning by-laws, consistent with provincial policies and a Greater Toronto regional plan.

Summary

In summary, delivery of the following services, some of which are currently the responsibility of regional governments, should be assigned to area municipalities: community services (welfare, hostels, children's services, and homes for the aged);³¹ public health; fire; urban streets, avenues, and roads; parks, recreational facilities, and community centres; promotion of arts and culture, management of libraries, and protection of heritage buildings; development approvals, licences, and permits; and business licencing except for taxicabs, limousines, and tow trucks.

²⁹ See Section 6.5 for discussion of licensing for taxicabs, limousines, and tow trucks.

³⁰ The streamlining of the provincial planning approvals process announced in November 1995 should reduce the unnecessary circulation of development proposals among provincial ministries and result in fewer costly delays.

³¹ As set out in Chapter 5, municipalities will be responsible for *funding* as well as delivering homes for the aged and public health services.

The Province should investigate opportunities for more cost-effective fire services and the appropriate scale for coordination of ambulance services. This may involve the integration of fire and ambulance services to achieve greater efficiency and improved response times. This review should be conducted prior to the restructuring of municipal governance in 1997.

In addition, the Province should consider the issue of funding and management of school land and buildings. Municipal electric utilities should become accountable to municipal councils and their members should be appointed by council.

Recommendation 34

Area municipalities should assume responsibility for delivering a range of functions, some of which are currently provided by regional municipalities, including:

- community services (welfare, hostels, children's services, and homes for the aged);
- public health;
- fire services;
- urban streets, avenues, and roads;
- parks, recreational facilities, and community centres;
- promotion of local arts and culture, management of libraries, and protection of heritage buildings;
- some development approvals, licences, and permits; and
- licensing (except for taxicabs, limousines, and tow trucks, all of which should be assigned to the Greater Toronto Council).

6.5 STREAMLINING THE REGIONAL ROLE

The Task Force is keenly aware of the the need to balance region-wide planning and coordination with effective and efficient service delivery at the lowest possible level of government. Consequently, the government structure we are proposing features a single streamlined regional government with a more limited range of functions than those of the five existing regional municipalities.

Estimates provided to the Task Force show that regional expenditures under this new structure will total 49 percent, or \$2.6 billion, less than under the current regional structure. This reduction can be broken down into two categories — expenditures transferred to other levels of government (provincial or local municipalities), and efficiencies and savings attributable to the shift from five regions to a single, leaner regional government.³²

The first category — \$2,536 million — represents the bulk of the \$2.6 billion difference and does not constitute a net benefit in terms of reduced government

32 Estimates provided to the GTA Task Force by C.N. Watson and Associates Ltd.



spending. However, the second category — \$107 million — does represent significant savings which stem primarily from reduced spending on general government and savings achieved by consolidating planning and development functions.

The Greater Toronto Council will have a two-fold mandate: planning and coordination on a region-wide basis and ensuring delivery of services that cannot be reasonably devolved to the local level. The Council will be directly responsible for:

- regional planning;
- economic development;
- management of regional assets; and
- construction and maintenance of expressways.

In addition, the Council will be responsible for ensuring the delivery of the following services on a flexible service district basis as defined below:

- environmental quality;
- police;
- transit;
- water and sewer works, major trunks, reservoirs and pumping stations; and
- waste disposal, transfer, recycling, and recovery facilities.

Finally, the Greater Toronto Council will levy for its requirements annually against the area municipalities on the basis of assessment, raise other taxes and fees, and borrow for capital purposes.

Flexible Service Districts

The need for improved coordination of a range of services has prompted numerous calls for full scale GTA-wide amalgamation of some services currently provided on a regional basis or by individual municipalities. Others, however, argue that creating service monopolies of this size would only lead to more bureaucracy, higher costs, and diminished responsiveness to local needs as uniform standards and levels of service are imposed across the city-region.

Because local needs and preferences vary across the city-region, so should service levels and costs. Rural areas, for instance, have different transit demands than urban areas. Evidence also showed that full-scale amalgamation of some services across the entire region could indeed lead to higher costs while compromising local accountability and responsiveness.³³

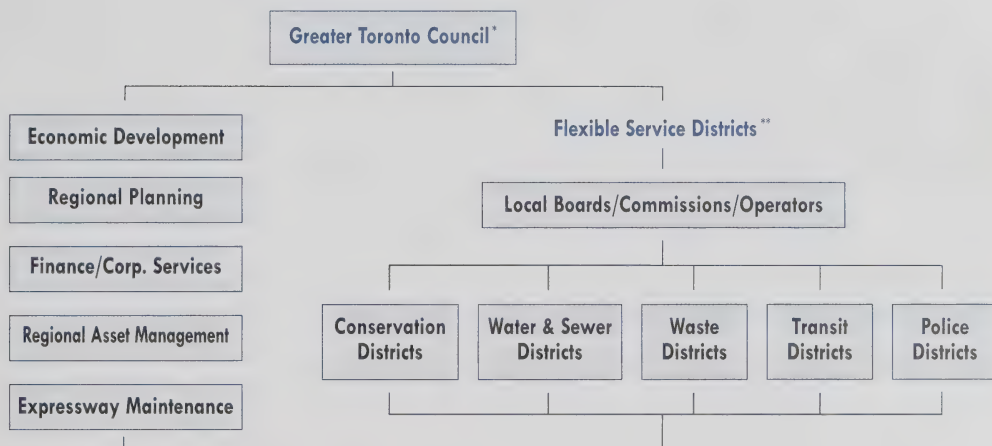
The Task Force therefore proposes the introduction of *flexible service districts*, a mechanism which allows for region-wide service *planning* and

³³ This conclusion was based on consultation with, and submissions received from, transit operators and police, service amalgamation experiences in other jurisdictions like Ottawa-Carleton, and a number of studies. See Price Waterhouse, "Impact Analysis of One-Tier Government" (Report prepared for the eleven local municipalities in Ottawa-Carleton, August 1992).



coordination by the Greater Toronto Council, but ensures that services are *delivered* on a more local basis, in accordance with the needs and preferences of different communities. As indicated earlier, different services have different optimal geographic and population thresholds. Flexible service districts will ensure that each service is delivered at the appropriate scale and that boundaries can be adjusted when necessary to accommodate changing needs across the region.

EXHIBIT 6.3: NEW GREATER TORONTO COUNCIL STRUCTURE



* Estimated Greater Toronto Council budget \$2.7 billion (\$2.6 billion less than Metro/Regions for net savings of \$107 million annually).

** Greater Toronto Council to provide overall coordination and set financial and performance targets, while delivery will be the responsibility of local boards/commissions/operators under contract to the GTC. Operating costs will be charged back to local municipalities within each service district.

Under this system, a variety of service delivery operators would manage and deliver services, each within their own district, but would be accountable to the Greater Toronto Council on matters requiring integration and coordination across and between jurisdictions. Services would be contracted out privately or assigned to an appropriate agency, board, or commission. Where a private contractor delivers the service, terms and conditions for the contract, including service levels, should be established by the Greater Toronto Council in consultation with the affected local municipality or municipalities.

Where services are delivered by an agency, board, or commission, the Council would appoint a board of directors, which would include a majority of local councillors and other appointees as recommended by the local municipalities

within each service district. The board would prepare its budget in consultation with the local municipalities concerned and submit it to the Greater Toronto Council for approval. Prior to approval, the Council would review budgets to monitor service costs, ensure chargeback formulas are equitable, and check for consistency with regional planning and coordination policies and initiatives.

In addition to approving budgets, the Greater Toronto Council will play an overall planning and coordination role to ensure that services fit together coherently, both in terms of an overall regional plan and from the perspective of consumers who expect seamless and high-quality services throughout the city-region.

The advantages of this service delivery model are that it discourages the development of region-wide service monopolies that are inefficient and unresponsive to local communities and it allows services to be delivered at the most effective and efficient scale. At the same time, it promotes competition and innovation among service providers and provides the structural flexibility needed to respond to changing service needs and new technologies.

Recommendation 35

The mechanism of flexible service districts should be introduced to allow for region-wide service planning and coordination by the Greater Toronto Council, while ensuring that services are delivered on a more local basis, in accordance with the needs and preferences of different communities. Services to be delivered in this manner include: conservation, transit, police, water and sewer, and waste management.

Regional Planning

The Greater Toronto Council will be responsible for producing a Greater Toronto regional plan. As outlined in Chapter 4, this plan should establish clear urban boundaries and include elements of the regional transportation system, the major live-work centres and transit corridors, the regional greenspace system, and natural features. As well, the plan should incorporate the region-wide regeneration program discussed in Chapter 4.

Recommendation 36

The responsibility for regional planning should be transferred from the five existing regional governments to the Greater Toronto Council. The Greater Toronto Council should be given primary responsibility for integrating infrastructure and land use planning in the region.

The plan should also include an integrated Greater Toronto transportation strategy that supports urban form objectives. Chapter 2 explained that meeting the needs of businesses in the traded goods and services sectors (which drive our economy) means that transportation infrastructure must be given a high priority. Projects such as the upgrading and expansion of Pearson International Airport, completion of Highway 407, and enhancements to regional transit should be key features of this plan. Planning for the TTC, GO Transit, the railways, and other transit operators should be reconciled. Strategic coordination of regional planning and future infrastructure investment will ensure that we reap the full benefit of our spending on existing and new facilities.

Recommendation 37

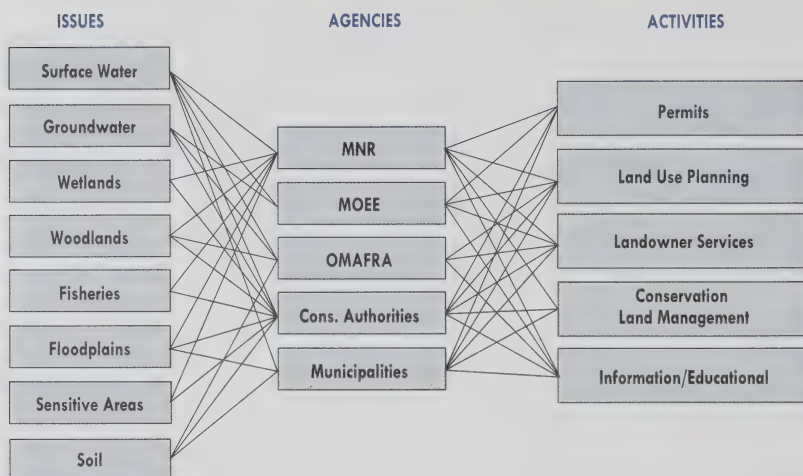
The Greater Toronto regional plan should give priority to infrastructure investments needed to support key sectors of the economy, specifically improvements to Pearson International Airport, the completion of Highway 407, and enhancements to the region's transit systems.

The Greater Toronto Council should draw on expertise across the region to undertake and expedite the necessary environmental assessment approvals and studies. This will require a close and collaborative working relationship with local municipalities. The active participation of the Province and the federal government will also be essential.

The quality of life and economic vitality of a region depend strongly on its environmental health. The Greater Toronto region is no exception. The current administrative framework for ensuring this health is inefficient, cumbersome, and frequently ineffective. Responsibilities are fragmented among the regional and district offices of the Ministry of Natural Resources (MNR), Ministry of Environment and Energy (MOEE), and Ministry of Agriculture, Food and Rural Affairs (OMAFRA); the Ontario Clean Water Agency; five conservation authorities; and a variety of regional and municipal departments.

**Environmental
Quality**

EXHIBIT 6.4: EXISTING ENVIRONMENTAL REVIEW FUNCTIONS



Source: Adapted from "Restructuring Resource Management in Ontario: Implementing-Blueprint" (Prepared by the Association of Conservation Authorities of Ontario, August 1995).

The Task Force proposes that the bulk of the services currently delivered by these bodies be assigned to, and coordinated by, the Greater Toronto Council in order to ensure a more integrated, ecosystem approach to regional planning and initiatives, and to ensure consistent, efficient, comprehensible, and effective environmental management throughout the region.

This would entail the Province devolving responsibility for services currently delivered by MOEE, MNR, and OMAFRA district and regional offices to the Greater Toronto Council. It would also involve consolidating and restructuring the five conservation authorities into more streamlined conservation districts, which would be directly accountable to the Council and responsible for delivering both their present functions and services devolved from the Province.

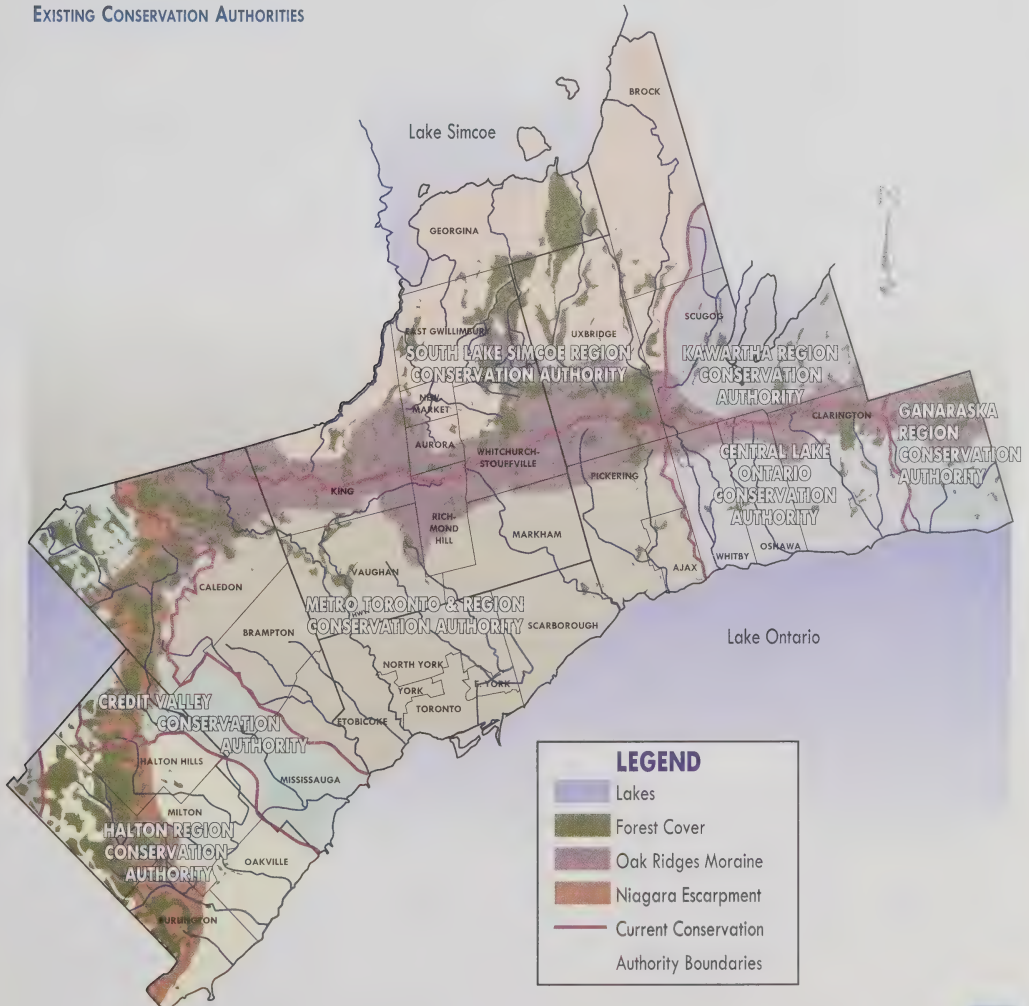
Recommendation 38

The Province should devolve delivery of the environmental permitting and approval functions currently delivered by district and regional offices of the Ministry of Environment and Energy, Ministry of Natural Resources, and Ministry of Agriculture, Food and Rural Affairs to the Greater Toronto Council. These should be carried out by restructured conservation authorities that report directly to the Council and are responsible for delivering their current functions, as well as those newly devolved from the Province, on a watershed basis.

GOVERNING THE CITY-REGION

The restructuring of the five existing conservation authorities should be designed to achieve greater efficiency, yet permit operations on a scale that enables the authorities to work in close partnership with watershed communities and municipal governments. Conservation service districts would be based on watershed boundaries and include the areas currently under the jurisdiction of the following conservation authorities: Halton Region, Credit Valley, Metropolitan Toronto and Region, Central Lake Ontario, and a significant portion of South Lake Simcoe.

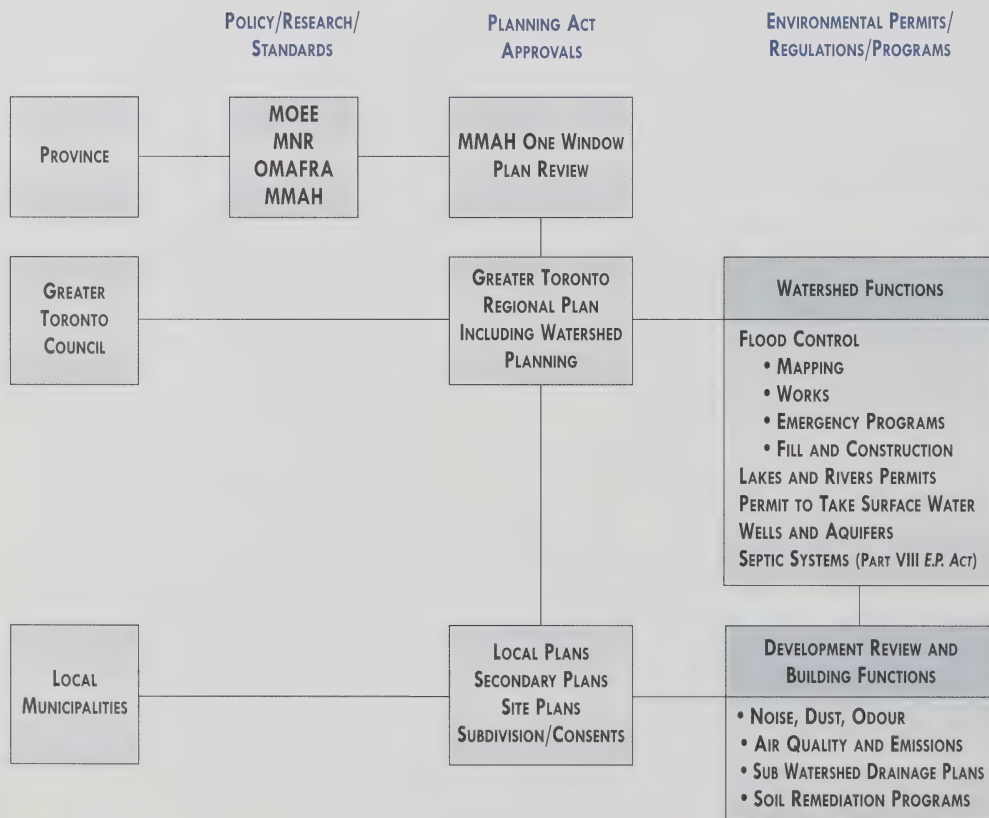
EXISTING CONSERVATION AUTHORITIES



Several major physical features within the region extend well beyond these boundaries. They include the Niagara Escarpment, the Oak Ridges Moraine, the Lake Simcoe watershed, and the Lake Ontario waterfront. The Greater Toronto Council would be responsible for liaison with the Niagara Escarpment Commission, other relevant authorities, and local municipalities to ensure that its activities would be consistent with broader strategies for these areas.

Under this new framework, environmental services provided by the region would encompass air, land, water, and bioregional systems. Responsibility for environmental protection/restoration and stewardship of natural systems would be integrated with engineering functions (delivered through flexible service districts) like sewage treatment, waste handling and recycling, and the provision of clean drinking water.

EXHIBIT 6.5: FUTURE APPROACH TO PLANNING AND ENVIRONMENTAL APPROVALS/PERMITS



As Exhibit 6.5 shows, this new approach will create a more efficient, less cumbersome administrative framework for environmental planning, management, and approvals. It will eliminate duplication of effort, confusion about responsibilities, significant gaps in the protection of natural resources, and inconsistency across the Greater Toronto region. It will permit integrated resource management on a watershed basis and provide a streamlined and efficient one-window system for environmental approvals.

The Task Force proposes the following division of responsibilities, consistent with the framework outlined above:

- The **Province** will develop policies, standards, and guidelines. It will delegate its implementation responsibilities to the Greater Toronto Council and local municipalities as appropriate. Provincial funds will be allocated to the Council and local municipalities to enable them to carry out these delegated responsibilities and to achieve broader provincial objectives.
- The **Greater Toronto Council** will provide those environmental functions and services best offered at a city-region level, but which are currently delivered by the regional and district offices of MOEE, MNR and OMAFRA, Metro and the Regions, and the conservation authorities. These functions will include strategic planning at the regional level, development of regional policies, research, public information, and performance monitoring and reporting.
- The restructured **conservation authorities** will operate within the policies and strategies established by the Province and the Greater Toronto Council. They will continue to focus on services and programs that are best provided on a watershed scale, including their current watershed planning, land management, flood and erosion control, and public education responsibilities. In addition, they will assume a broad range of provincial environmental approval and permit-granting functions to provide a “locally-based, one-window approval process.”³⁴
- **Local municipalities** will be empowered to ensure environmental quality through the integration of environmental considerations into municipal plans and zoning by-laws, consistent with provincial policies and regional strategies and plans. In some cases, this may require additional technical expertise and resources at the municipal level.
- **Regional planning** functions will be integrated with environmental functions to ensure that the biophysical features of Greater Toronto are used in defining urban form and that environmental protection is integrated into regional land use and transportation planning. Regional planning, environmental, and economic development staff will work jointly on the regional plan. Regional planning staff will also review and comment on watershed plans and municipal official plans.

³⁴ As proposed in the Conservation Authorities' Brief to the GTA Task Force (August 17, 1995), p. 22.



Recommendation 39

Environmental services for the city-region should be coordinated at the regional level. The Greater Toronto Council should coordinate and streamline planning, administration, and delivery of services currently split among several provincial ministries, five regional governments, and five conservation authorities.

Economic Development

Best-practice cities across North America are turning to public-private economic development partnerships as a way of leveraging funding and expertise that government cannot provide on its own. The Task Force looked at economic development models like the Greater Richmond Area Partnership, the Greater Phoenix Council, and Philadelphia First, all of which rely on strong business leadership to spearhead marketing efforts for their regions. The Task Force believes that Greater Toronto needs to establish a similar unified public-private body to coordinate business attraction and promotion in the region.

This body would take on several major functions that are now performed on a piecemeal basis by the myriad economic development programs currently operating at all levels of government throughout the region. It would have primary responsibility for international marketing to attract investment to the region and for a broad-based retention strategy for businesses already resident in the region.

These functions must be supported by economic research and the capacity to effectively collect and share useful data. One of the most frustrating obstacles the Task Force faced was the lack of comprehensive, relevant, and easily accessible economic data about the GTA. Neither the Province, nor municipalities, nor Statistics Canada currently collect and make data available on a GTA basis.

This places Toronto at a significant disadvantage relative to competing American cities that do collect economic data and maintain comprehensive data banks which are immediately accessible for marketing and research purposes. As one location firm put it: "Most site decision short lists are determined in a few weeks. If you can't respond with the data in a timely fashion and with comparable numbers to U.S. cities then you're not even in the game."³⁵ In the words of a Toronto-area economic development officer: "It's hard to make policy if you don't even know which areas are growing and which aren't. No one can provide that data."³⁶

Economic research should focus on monitoring such key economic indicators and trends in the region as the performance of traded sectors, the quality and composition of the labour force, key physical infrastructure and how well it is serving businesses in the region, and the changing economic nature of the

35 From The Boston Consulting Group interviews with representatives from Wadley-Donovan, a U.S. site location firm, 1995.

36 From The Boston Consulting Group interviews, 1995.

region, particularly changes in the way goods and services are produced and distributed. The shift from warehousing to just-in-time delivery systems is one example of such a change.

Changes in production can have important implications for public policy and investments in such areas as human resources development, technology transfer, and export promotion. Tracking regional economic trends can enable the region to spot early signs of “cherry-picking” and the erosion of specific sectors, while good data is essential to developing benchmarks and ensuring ongoing evaluation of Greater Toronto’s economic progress relative to that of other city-regions.

The Greater Toronto economic development body should be a non-profit business corporation operating at arm’s length from the Greater Toronto Council. Its staff should include a combination of permanent and seconded personnel from the business community and different levels of government. It should be governed by a board of directors with significant representation from the private sector and, to a lesser degree, from the provincial and municipal governments. Retired and active business executives should be enlisted to sit on the board, together with senior elected and appointed officials.

Creating a public-private sector partnership will lend credibility and effectiveness to the region’s economic development efforts and signal a new, more positive attitude to local and international business. This partnership, composed of highly-regarded private sector practitioners and public sector officials, would act as the business ambassador for the region. Members would be able to draw on their own extensive business contacts and experience to attract new investment to the region and promote existing businesses in international circles.

Recommendation 40

A Greater Toronto public-private economic development partnership should be established to act as a single marketing body for the city-region. The partnership should be responsible for:

- marketing the region internationally to attract investment;
- delivering a broad-based business retention strategy;
- monitoring Greater Toronto’s economic performance; and
- acting as a repository for strategic economic data collected on a regional basis and used for business attraction and retention purposes.

The new partnership should be structured as an independent corporation at arm’s length from the Greater Toronto Council and have majority representation from the private sector.

One of the partnership's first priorities should be to work with the Province and municipalities to rationalize overlapping economic development programs and services. The partnership could be a valuable resource in determining which functions should be retained, which should be amalgamated, and which areas require further study.

The criteria for the evaluation should include the following:

- eliminating duplication in government economic development activities;
- providing one-stop shopping for businesses at the local government level to streamline approvals, reduce red tape, and improve service; and
- eliminating intra-regional recruiting competition by encouraging municipalities to focus on business retention rather than on business attraction.

To ensure a smooth and effective liaison between the Province and the Greater Toronto economic development partnership, the Ministry of Economic Development, Trade and Tourism should be assigned as the lead provincial Ministry on matters related to economic development in Greater Toronto. This one-window approach should enhance coordination of the Province's economic development activities in the region and facilitate joint initiatives with the Greater Toronto partnership.

Local municipal economic development programs will continue to play an important role in the provision of one-stop shopping and other business facilitation and retention functions. The creation of a regional economic development body is not intended to replace these services that are necessary and valuable for small business start-ups, job creation, and business retention in the region.

Recommendation 41

Municipal economic development functions relating to business attraction and international marketing should be replaced by those being undertaken at the Greater Toronto regional level. Certain functions, including facilitating new business formation, local business retention, assistance with business expansion, permits and approvals, and data collection, should continue to be provided at the local municipal level.

The Task Force identified four major issues on policing in the GTA:

Police

Improving Community Policing: Police forces are subject to increasing demands from their governing bodies and the public to adopt community-based policing.³⁷ These demands emphasize the need to respond to a diverse population and provide greater public accountability. Community policing requires police forces to build community support and create partnerships with local organizations. These partnerships allow the community to provide input on police methods, priorities, resources, and new initiatives.³⁸

Maintaining Civilian Control of the Police Forces: There is a trend towards stronger civilian control in policing.³⁹ In keeping with this trend, governing bodies for policing — whether elected municipal bodies, appointed boards, or hybrids as we have in Ontario — are increasingly seeking greater control over police forces in order to achieve greater civilian accountability and improved cost-effectiveness.

Enhancing Budget Accountability: The Greater Toronto forces together account for about 20 percent of municipal spending and employ nearly 11,000 people. The *Police Services Act* gives municipal councils the right to approve police budgets. However, in the event of a deadlock between the police services board and the council, council decisions may be appealed to the Ontario Civilian Commission on Police Services. The Commission thus provides a forum through which the Province can fulfill its responsibility to ensure the adequacy of police services, as assigned to the Solicitor-General under the *Act*.

The Task Force questions whether this provincial appeal mechanism is the best way to secure accountability. The alternative is to delegate full accountability and final approval of the police budget to municipal councils. The municipal budget approval process is critical to ensuring that taxpayers are getting value for money and that the necessary trade-offs

37 In Ontario, this trend was particularly encouraged by the reports of the Race Relations and Policing Task Force (the Lewis Reports) in 1989 and 1992. See *The Report of the Ontario Race Relations and Policing Task Force*, Clare Lewis, Chair (Toronto: Ministry of the Solicitor General, 1989 and 1992). Community policing was adopted as official provincial policy with the enactment of the *Police Services Act* in 1990. See in particular the "Declaration of Principles" in Section 1 of the *Act* (R.S.O. 1990, c. P-15).

38 See A. Normandeau and B. Leighton, *A Vision of the Future of Policing in Canada: Police Challenge 2000* (Ottawa: Solicitor General Canada, 1990). Also British Columbia, *Commission of Enquiry into Policing in British Columbia*, "Closing the Gap: Policing and the Community," 4 vols., Wallace T. Oppal, Commissioner (Victoria, B.C.: Government Printer); and D. Bayley, *Police for the Future* (New York/Oxford: Oxford University Press, 1994).

39 See Phillip Stenning, "Police and Politics: There and Back and There Again?" in R. Macleod and D. Schneiderman eds. *Police Powers in Canada: The Evolution and Practice of Authority* (Toronto: University of Toronto Press, 1994), pp. 209-240.

between expenditures on police and other municipal services are being made by those elected to do so — municipal council members.

Making Policing More Effective: Concerns were expressed to the Task Force about insufficient information exchange among police forces (particularly for serious crimes), failure to maximize savings by pooling resources (or even to consider such cooperation at the GTA level),⁴⁰ and inadequate education and training standards among police. Police jurisdictions must be of sufficient size to afford new technology, and police forces need to acquire the skills to operate increasingly complex systems.⁴¹

When the five existing regional municipalities are replaced by the Greater Toronto Council, the current one-to-one relationship between police forces and regional municipalities will be severed. Each regional force will then have to be accountable either to a number of municipal councils or to the Greater Toronto Council. There is no clear way to align policing in this setting.

The Task Force therefore proposes that an external review of policing in Greater Toronto be undertaken to consider alternative governance mechanisms and the appropriate boundaries and scale of delivery for policing services in the region. This review should be undertaken by the Greater Toronto Implementation Commission described later in this report, and should be completed and submitted to the Province prior to the establishment of the Greater Toronto Council. In the interim, to minimize service cost and disruption, police services in the region should continue to be provided under the existing delivery model.

This policing review should focus on designing a delivery model that addresses the four issues raised above. The terms of reference for the review should include:

- the appropriate boundaries for police forces within the Greater Toronto region, taking into account such factors as the need for policing to be responsive to local communities and the opportunity to take advantage of operating economies through shared services at the regional level.

40 Each of the GTA's regional police forces has recently made significant investments in telecommunications and information technology, including 911 emergency systems, computer-based dispatching, and records systems such as automated fingerprint identification systems. Each of these investments was made independently with no apparent initiative to assess joint needs, integrate systems across regional boundaries, and share costs. See submission made to the Task Force by Chief Robert Lunney of the Peel Regional Police, page 5.

41 See S. Ackroyd, *New Technology and Practical Police Work: The Social Context of Technical Innovation* (Buckingham, U.K.: Open University Press, 1992); Peter Manning, *Organizational Communication* (New York: A. de Gruyter, 1992).

- policing functions that are appropriately carried out at the Greater Toronto level, including the management of shared services, and considering the following:
 - services and functions that would benefit in terms of efficiency or effectiveness from placement at the Greater Toronto regional level;
 - linkages to federal (RCMP) and provincial (OPP) forces and their role in the region;
 - matters on which common policy would be appropriate at the region-wide or provincial levels (community policing and education and training standards, for example);
 - funding policy and formulas, including fair allocation of costs for common services, equitable sharing of local police costs, and ways to deal with spillovers; and
 - potential means of policing rural areas through contracting.
- governance structures and processes at the local level, particularly in relation to police services boards, including:
 - the appointment and composition of police boards;
 - the budget approval process and conflict resolution mechanism for cases where one or more municipalities fail to approve a police budget; and
 - the role of municipal councils in relation to police boards.
- governance structures and processes at the Greater Toronto level, including:
 - the role of the Greater Toronto Council with respect to local policing, budget approval disputes, and the establishment of shared services at the regional level;
 - decision-making on cross-jurisdictional issues such as funding formulas; and
 - staffing requirements at the regional level for policy, standard setting, and supervisory functions.

Recommendation 42

The Greater Toronto Implementation Commission should undertake an immediate review of policing in the Greater Toronto region in order to institutionalize community policing, ensure civilian control of police forces, enhance budget accountability, and make policing more effective. The Province should integrate the findings of this review with its planning for the future of policing in Ontario. In the interim, Greater Toronto police services should continue to be provided through the five existing regional police forces.

Transit

Efficient transit is essential to our competitiveness as a city-region. In addition to reducing traffic congestion and the attendant environmental costs, it provides efficient and affordable access to jobs and services for residents and the workforce.

While the Task Force recommends region-wide planning for transit, we see no overall advantage in amalgamating all of the Greater Toronto region's existing transit operators into a single agency.⁴² Patterns of development and ridership, service levels, contracting out, and cost structures vary significantly across the region. Coordinating capital and broad service transit planning, scheduling, fare structures, and customer information across the city-region can be achieved without the disruption and transition costs associated with amalgamation. This is doubly important given the severe financial constraints on operators currently and the prospect of further fare increases and loss of ridership.

The Task Force envisages an arrangement under which the existing transit operators continue to be accountable to independent boards and municipal councils. Their operating funding would flow through the Greater Toronto Council budget, but would be charged back to the municipalities within their respective service districts. As a general rule, the Council would set the financial and performance targets, but avoid involvement in the details of local transit budgets. Additional public or private sector operators could be licenced or contracted with as needed to deliver new transit services.⁴³ Contracts would adhere to policies designed to protect the public interest in matters like safety and service quality.

Funding for capital purposes (subways, LRTs, busways, yards, streetcars, and buses) would continue to be a joint provincial/regional responsibility. As is argued in Chapter 5, the Province has a strong interest in funding major capital infrastructure.⁴⁴ The municipal portion of these expenditures would not be charged back to local area municipalities, but would be funded directly by the

42 This view is supported by the Transit Integration Steering Committee established by the Province. In its interim report, the Committee wrote "whatever else evolves and whichever model is eventually adopted, there will definitely be a need for a single policy body for transit across the area that can ensure a common approach to service provision. A secondary message is that actual transit service delivery in the GTA should continue to be provided by an array of different operators."

Despite numerous attempts by a variety of sources to formulate alternative organizational models for GTA transit integration, every effort has ultimately ended up with the same result: a single body composed of multiple transit operators in a federation-type arrangement. Much of the existing experience with actual attempts at transit integration under the current cooperative framework supports this conclusion.... In the absence of a commitment founded on a solid organizational structure, there has not been significant progress towards implementing any key transit integration proposals."

See Transit Integration Steering Committee, "Transit Integration in the Greater Toronto Area" (Interim Report prepared for the Minister of Transportation, September 1995), p. 6.

43 This is similar to the franchise model described by the Transit Integration Steering Committee, "Transit Integration in the Greater Toronto Area."

44 Federal and state governments in the U.S., Europe, and Australia all contribute heavily to these transit infrastructure investments.

Greater Toronto Council to ensure the coordination of major transit investment decisions across the city-region.

A number of transit issues referenced frequently during our consultations need to be reviewed. These include:

- the reintroduction of “fare by distance”;⁴⁵
- the integration of GO Transit functions with those of other Greater Toronto transit operators;
- the utilization of buses for both local and express purposes;
- the potential use and integration of federal rail corridors into the Greater Toronto transit system; and
- the potential for commuter rail stations.⁴⁶

Recommendation 43

The Greater Toronto Council should undertake the planning and coordination of transit services across the region, while allowing for service delivery by a variety of transit operators on a service district basis to maintain locally responsive services and promote efficiency, innovation, and competition among service providers.

The Greater Toronto Council will assume responsibility for the water and sewer distribution and treatment system, but will contract out the operation of its facilities to independent operators, on a service district basis, to ensure efficient water delivery and sewage treatment across the GTA. Current regional boundaries interfere with the efficient delivery of these services. With the introduction of flexible service districts, these inefficiencies can be eliminated.

Currently Metro and most regions wholesale water to local municipalities, which then retail it to local residents. Peel Region, however, retails water and sewer directly to homeowners at the lowest cost in the GTA. In light of the efficiencies achieved in Peel, the wisdom of continuing a two-tier distribution system must be reviewed.

Water and Sewer Works

⁴⁵ Fare by distance is the near universal fare payment method for transit services. London, Paris, Washington, Hong Kong, Melbourne, and the GTA's own GO Transit customers all pay fares based on the distance travelled. Fare by distance would provide greater fairness and encourage more short distance trips in the downtown area. It would also reduce the problem of two full fares for short cross boundary trips between Metro Toronto and the surrounding regions.

⁴⁶ Metropolitan Toronto undertook an extensive study of commuter rail stations in 1991, assessing the physical potential but also identifying the potential for redevelopment opportunities. Use of existing CN/CP rail lines, the financial constraints affecting GO Transit and the recent CN privatization/sale proposal are new factors that have to be considered. See IBI Group, “Metropolitan Toronto Commuter Rail Station Location Study” (Final Report prepared for the Municipality of Metropolitan Toronto, March 1991).

Highways and Expressways

Greater Toronto depends on the provincial highway system to provide connections to the rest of Canada and North America. To ensure the most efficient movement of goods and people across the city-region, however, some rationalization of the region's highway and expressway network is necessary.

The QEW and most of the 400 series highways are, and should remain, provincial responsibilities. However, some provincial highways are no longer integral to this system and function primarily as local arterials. Responsibility for these should be transferred to local municipalities. Other provincial highways, such as Highway 9, act as regional routes connecting municipalities and as subconnectors to the major provincial system. These are best managed at the Greater Toronto regional level.

Finally, while the Gardiner Expressway and Don Valley Parkway do not meet provincial highway standards, they are critical to the city-region's highway system. Consistent with the principles for a fair disentanglement described in Chapter 5, the two partners, the Province and Greater Toronto Council, should resolve the ownership and co-financing of the region's highways and expressways and establish clear protocols for approval processes, funding, construction, and maintenance.

Recommendation 44

Consistent with the principles for disentanglement set out in Chapter 5, the Province and the Greater Toronto Council should resolve the ownership and co-financing of the region's highways and expressways and establish clear protocols for approval processes, funding, construction, and maintenance.

The central traffic computer is another critical component of the region's road infrastructure and should be managed as a unified system at the regional level in order to ensure the efficient movement of traffic between local municipalities.

Recommendation 45

The central traffic computer, a critical component of the region's road infrastructure, should be managed by the Greater Toronto Council to ensure the efficient movement of traffic between local municipalities.

**Waste
Management**

Although the Task Force was not directed to provide recommendations on waste management, the inclusion of waste management as a Greater Toronto Council operating and delivery function would be consistent with our proposal. Current Metro and regional facilities would become Greater Toronto Council facilities, with a similar service area structure, and would be operated under contract.

**Regional
Assets**

There are a number of facilities, currently owned by Metro and the four regions, which serve as key attractions and significant contributors to the cultural and recreational life of the Greater Toronto region. These include the Metro Zoo, Exhibition Place (home of the CNE, the Royal Winter Fair, and the new Metropolitan Trade Centre), the O'Keefe Centre for the Performing Arts, the Guild Inn, the Metro Reference Library, the Metropolitan Archives, Pioneer Village, the Halton Museum, the Metro Parks system, regional forests, and conservation areas.

With the dissolution of the existing regional governments, an ongoing sponsor will be needed for these regional assets. The O'Keefe Centre and the Guild Inn are quasi-independent operations and remain candidates for privatization. Metro Parks and the regional forest programs could be integrated into local and regional management, according to their function. Parks with facilities largely serving one local community could be assigned to the local municipality, while those serving more than one municipality — such as large waterfront parks and parks consisting of major valley lands — could become regional assets. This would require a detailed investigation of their current operations and budgets.

The Metro Zoo, like zoos everywhere, requires subsidy even though it recovers a significant portion of its costs from gate receipts. Based on its attendance figures, it is a truly regional, rather than local, attraction, as is Exhibition Place. The Metropolitan Archives, the Metropolitan Reference Library, Pioneer Village, and the Halton Museum are all resources or attractions that reinforce the city-region's history and identity. The Greater Toronto Council should act as the corporate steward of all these regional assets.

There are many provincial facilities that contribute to Toronto's vitality: the Royal Ontario Museum, the Art Gallery of Ontario, the Ontario Science Centre, the McMichael Canadian Art Collection, the Elgin and Winter Garden Theatre Centre, George Brown House, the Ontario Agricultural Museum, and Darlington, Bronte, and Rouge Provincial Parks. These facilities are candidates for co-stewardship by the Province and the Greater Toronto Region, or for a full transfer to the Region as an additional disentanglement arrangement.

The criteria for reviewing these facilities should include:

- Who is largely served by the asset — local clients or clients outside Greater Toronto?
- Who currently contributes to the asset — users, local taxpayers, regional taxpayers, or provincial taxpayers?
- Who can most effectively manage or direct the management of the asset — local municipalities, the Greater Toronto Council, the private sector, a special purpose body, or the Province?
- Is the asset part of a broader system — such as greenlands? If it is part of a system, then these questions should be considered for the system as a whole.

Licensing

As noted in Section 6.4, licensing for taxicabs, limousines, and tow trucks should be assigned to the Greater Toronto Council.

The taxi and limousine business is an important component of the city-region's transportation system and should be assigned to the Greater Toronto region to enable integrated transportation planning and coordination. This arrangement should also help resolve disputes which have arisen in recent years over taxi service to Pearson International Airport.

The towing industry also provides services across municipal boundaries. The *Municipal Act* empowers municipalities to license and regulate towing businesses that are based in their municipality, but does not allow municipalities to regulate out-of-town tow trucks. The Task Force believes that cross-boundary issues can best be resolved by assigning the licensing of tow trucks to the Greater Toronto Council. This will ensure that the regulatory jurisdiction is large enough to cover the normal operating range of towing businesses.

Summary

In summary, the Greater Toronto Council will be responsible for delivering the following services on a flexible service district basis: conservation, transit, water and sewer, and waste management. The Council will also be responsible for regional planning in order to integrate infrastructure and land use planning; priority would be given to infrastructure investments needed to support key sectors of the economy. Pending further review, police will continue to be delivered by the current regional police forces.

Economic development functions, including international marketing, developing a broad-based business retention strategy, monitoring the region's economic performance, and maintaining a Greater Toronto economic database, will be carried out at the regional level by an arm's length public-private partnership. Other economic development functions, such as facilitating new

business formation, local business retention, assistance with business expansion, permits and approvals, and data collection, should continue to be provided at the municipal level.

The Greater Toronto Council will coordinate and deliver environmental services for the region. A range of permitting and approval functions will be devolved from the Province; the five conservation authorities and the Waterfront Regeneration Trust will be restructured to deliver a broad range of environmental services on a service district basis.

Ownership and co-financing of the region's highways and expressways will be negotiated with the Province, while the central traffic computer will be managed by the region to ensure the efficient movement of traffic between local municipalities.

Recommendation 46

The Greater Toronto Council should be directly responsible for:

- regional planning;
- economic development;
- management of regional assets; and
- construction and maintenance of regionally significant highways and Metro expressways.

In addition, it should oversee the delivery and operations of:

- environmental quality services;
- police;*
- transit;
- water and sewer works, major trunks, reservoirs and pumping stations;
- waste disposal, transfer, and recycling; and
- licensing of taxicabs, limousines, and tow trucks.

* To be reviewed as per Recommendation 42.

6.6 A NEW ROLE FOR THE PROVINCE

As we indicated in Chapter 5, the Task Force envisages a new relationship between the Province and local governments in Greater Toronto. Proposals for disentangling provincial and local responsibilities, combined with the devolution of responsibilities in the areas of planning, environmental approvals, and roads, should greatly reduce costly duplication and friction between the two levels of government.⁴⁷ Under this new arrangement, the Province would declare

⁴⁷ The majority of the problems outlined in the case studies submitted to the Task Force by area municipalities lay in the areas of planning, environmental approvals, and transportation – areas that are addressed in the Task Force's proposals.

its interests clearly through revised framework legislation, co-financing agreements, and complementary planning at the regional level in the following five areas:

- regional planning;⁴⁸
- environmental protection and conservation;
- transportation planning and development;
- sewer, water, and waste disposal and treatment; and
- economic development and investment.

In this new partnership arrangement, the Province and the Greater Toronto Council would work out mutual policy and planning objectives in the areas cited above and develop agreements to co-finance initiatives of mutual interest.

This relationship complements the Province's recent initiative to streamline its own planning activities by designating the Ministry of Municipal Affairs and Housing to act as a single window for municipalities and others seeking planning approvals. It also suggests that the Ministry of Municipal Affairs and Housing would be the logical liaison between the Greater Toronto Council and the provincial government as a whole, except for economic development, where a direct relationship between the proposed Greater Toronto economic development partnership and the Ministry of Economic Development, Trade and Tourism would be more effective.

In proposing this relationship, the Task Force is not arguing for a special or privileged position for the Greater Toronto region. As other Ontario city-regions, such as Ottawa-Carleton and Hamilton-Wentworth, have expanded and developed, they too have begun to reshape their governance structures to respond to their changing nature and to emerging global trends. Just as each of these regions is unique, so is the GTA. Its size, diversity, and the critical role it plays as a driver of Ontario's and Canada's economy need to be recognized and taken into account by the Province as it proceeds with its restructuring and reform initiatives.

Recommendation 47

The Province should establish the necessary policy and procedures to enable relevant Ministries and the Greater Toronto Council to undertake complementary planning and co-financing initiatives in the following areas:

- regional planning;
- environmental protection and conservation;
- transportation planning and development;
- sewer and water works, and waste treatment and disposal; and
- economic development and investment.

6.7 IMPLICATIONS FOR EDUCATION GOVERNANCE

The Task Force's proposals for region-wide pooling of non-residential education property taxes will entail setting a uniform mill rate, determining an allocation formula for the proceeds, and distributing the funds to the school boards. Because there is no Greater Toronto education governing body to undertake these activities, region-wide pooling will require administrative changes. Although our Terms of Reference precluded a detailed review of education governance, the Task Force considered two general approaches to pooling: assigning greater responsibility for school taxes and budgets to municipal councils and creating a new Greater Toronto school board.⁴⁹

The Greater Toronto Council could be responsible for setting the non-residential tax rate and allocating pooled funds in consultation with school boards. Under this model, there would no longer be a need for the Metro Toronto School Board because its primary function, redistributing funds among local boards, would be transferred to the new authority.⁵⁰ The remaining school boards would set their own budgets and would exercise discretion over spending levels by adjusting local residential education property tax levies.

Options

The Task Force is attracted to this option in principle because it allows for the region-wide non-residential education tax rate to be integrated with the region's overall spending priorities and its economic competitiveness strategy. Non-residential property tax levels (about \$2 billion GTA-wide in 1994) affect Greater Toronto's overall competitive position in two ways. They affect the level and quality of educational services and, because they constitute a significant portion of the total property tax burden, they affect the cost of doing business in the region. Integration of the non-residential education tax rate with the region's economic development efforts should enhance their success.

The main drawback to this education governance model is that it lacks clear lines of accountability for education services. With the Province, the Greater Toronto Council, and the school boards all involved in elementary and secondary school financing, the public would be unable to hold any one of the three levels of government solely responsible for spending and taxing decisions.

49 The School Board Reduction Task Force (headed by John Sweeney) is responsible for consulting with the education sector and making recommendations on school governance. At the time of writing, his final report had not been released, nor had the Province responded publicly to his interim recommendations.

50 Two recent reports, *The Royal Commission on Learning* and the interim report of the *School Board Reduction Task Force*, recommended that the Metro Toronto School Board be phased out.

These considerations might lead the Province to consider a closer relationship between school boards and municipalities or, in the extreme, a merger of these local governing bodies.⁵¹

The other option is to clarify lines of responsibility by establishing a Greater Toronto School Board, composed of local school trustees, which would set the non-residential education mill rate and allocate funds.⁵² This school board would be able to take on other region-wide functions, such as capital financing, labour negotiations, and co-operative services.⁵³ The advantage of this model is that school trustees in the region would have clear responsibility for education expenditure and taxation decisions. The disadvantage is that a school board does not provide a link between education and municipal funding decisions, or between tax rates and the region's competitiveness.

The Task Force had neither the mandate nor the time to explore the implications of these options fully. The Province will have to resolve this issue.

6.8 FINANCIAL IMPLICATIONS

Taxation

To fund the services just described, the Greater Toronto Council will require the capacity to raise and allocate revenues. Although we estimate that the total Greater Toronto region budget will only amount to about half of the combined budgets of current GTA regional governments, it is still anticipated that hundreds of millions of dollars will flow through the Greater Toronto Council each year.⁵⁴ Based on the nature of the regional services provided, and the level of funding involved, the Greater Toronto region will require the power to levy property taxes and user fees.

The Greater Toronto Council should be given the power to approve budgets and determine cost-sharing arrangements for all regional services. In identifying appropriate revenue sources and cost-sharing arrangements, the Task Force felt it important to distinguish among: services that benefit the entire region and should, therefore, be funded on a regional basis; those that have a more narrowly distributed benefit and should be paid for locally; and those that should be funded on an individual user pay basis.

51 If it chooses to pursue this route, the Province would have to do so in a manner that did not infringe on the constitutional rights of separate school supporters.

52 The voting formula would need to be weighted in some manner to reflect population. Decisions would require support from trustees representing a majority of the population and possibly a majority of the boards as well.

53 Recently completed research by *The Metropolitan Toronto Task Force on Cost Savings Through Cooperative Activities* indicates that this is a potential source of major savings.

54 Most of the reduction in regional expenditures is in funding for social services which is being transferred to the Province and local municipalities. Another area for reduced regional spending is roads. The calculation of the Greater Toronto budget was done by C.N. Watson and Associates.

Services of region-wide benefit include regional planning, economic development, environmental protection and conservation, regional assets, and some strategic capital investments. These costs should be pooled on a region-wide basis and funded through a Greater Toronto Council property tax levy. The levy should be proportional to the assessment wealth of each municipality to ensure that the tax burden is shared fairly among residents and businesses across the Region.

The bulk of the Greater Toronto Council's expenditures, however, will be for transit and police services.⁵⁵ The Task Force believes that generally these costs should not be pooled region-wide in the short term, because of the variation in service levels among the Greater Toronto region's communities and the more local benefit these services provide. Instead, municipalities within specific transit and police service districts, for example, would pay for the services delivered in their respective areas only. Municipalities within the TTC service area would pay for TTC services on the basis of assessment wealth, whereas municipalities outside the TTC service area would not contribute any property tax revenues to the TTC. In the long term, when service levels are more uniform across the region, the Greater Toronto Council may decide to pool costs on a broader or even region-wide basis.

Strategic capital investments of region-wide benefit, such as a Greater Toronto police telecommunications system or major transit and transportation facilities, should be paid for on a regional basis. In general, these costs should be distributed through the regional property tax levy, as described above. The Task Force also proposes that user fees (tolls) on new highways and a Greater Toronto fuel user fee be established for the purposes of funding major highway and transit capital expenses, as recommended in Chapter 4.

Finally, user fees and development charges should cover the full cost of sewer and water operating and capital costs. User fees should also be sufficient to fund the bulk of solid waste collection and disposal costs.

The impacts of these funding arrangements on property taxes will be limited. By allocating police and transit costs back to the municipalities within each service district, rather than pooling these costs across the entire Greater Toronto region, shifts in tax burden around the region will be minimized. Sharing regional costs on the basis of assessment wealth, rather than service use or population, will also lessen the impact on municipalities that have a limited capacity to raise property tax revenues.

⁵⁵ In 1993, upper and lower-tier municipalities in the GTA spent more than \$300 million (net of user fees) on transit and more than \$700 million on police.

Exhibit 6.6 demonstrates the combined impact of the new government structure, together with disentanglement, on property taxes in Greater Toronto's municipalities. As this table shows, taxes will fall in some municipalities and rise in others as a result of these changes. With the exception of only a few municipalities (generally the smallest ones with the least assessment wealth) these shifts amount to less than 5 percent.

Municipalities in Metro Toronto generally benefit relative to municipalities in the rest of the GTA, with four of the six receiving a modest tax decrease. Though it is impossible to isolate a single reason for any municipality's increase or decrease, Metro municipalities currently bear the brunt of Greater Toronto's welfare costs and therefore benefit most from their removal from the property tax. At the same time, municipalities in the regions currently benefit disproportionately from conditional capital and operating grants for roads and therefore sustain a small net loss from their elimination.

In summary, a limited number of functions delivered on a regional basis will be funded from a pooled assessment base. Services provided on a service district basis will be funded by the municipalities within those districts on the basis of assessment wealth. These funding arrangements, together with disentanglement, can be implemented without major tax impacts on Greater Toronto's citizens.

Recommendation 48

The Greater Toronto Council should approve budgets and determine cost-sharing arrangements for all regional services. To meet its responsibilities, the Greater Toronto Council should levy annually against area municipalities, raise other taxes and fees, and borrow for capital purposes.

Capital Borrowing

Metro Toronto and the four regional governments currently enjoy very strong credit ratings. As active borrowers in the financial markets for more than twenty-one years, and in Metro's case forty-one years, their borrowing status is well established. The Task Force has been advised that the creation of a single upper-tier government for the region, consistent with the current two-tier model, will have comparable borrowing advantages and a name — Greater Toronto — that will guarantee favourable market recognition.

The total GTA municipal debt is approximately \$2.5 billion. Disposition of this debt will have to be determined during the transition phase. By all accounts, the municipal reorganizations of the early 1970s did not significantly interfere with the capital market's approach to municipal debt and that there are currently adequate legislative and other mechanisms to address these transition issues.

GOVERNING THE CITY-REGION

EXHIBIT 6.6 — TAX IMPACTS OF CHANGES IN GOVERNANCE AND MUNICIPAL SERVICE RESPONSIBILITIES

| | % CHANGE IN TOTAL TAXATION | MUNICIPAL TAX ON TYPICAL PROPERTY | | | | MUNICIPAL TAX CHANGE ON TYPICAL PROPERTY | | | |
|--------------------------------|----------------------------------|-----------------------------------|-------------|-------------|-------------|--|-------------|-------------|-------------|
| | | CLASS 0 | CLASS 2 | CLASS 3 | CLASS 4 | CLASS 0 | CLASS 2 | CLASS 3 | CLASS 4 |
| | | PROPERTY VALUE | | | | | | | |
| TYPICAL MARKET VALUE | | \$250,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$250,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| METROPOLITAN TORONTO | | | | | | | | | |
| CITY OF TORONTO | -3.7% | 994 | 19,776 | 14,031 | 11,170 | (63) | (1,651) | (1,172) | (933) |
| CITY OF ETOBICOKE | -1.8% | 1,213 | 19,194 | 11,072 | 17,895 | (52) | (824) | (475) | (768) |
| CITY OF SCARBOROUGH | -2.2% | 1,378 | 18,258 | 12,098 | 19,333 | (70) | (923) | (612) | (978) |
| CITY OF NORTH YORK | -2.3% | 1,191 | 17,994 | 12,493 | 17,568 | (65) | (982) | (682) | (960) |
| CITY OF YORK | 1.2% | 1,398 | 23,521 | 13,680 | 22,339 | 35 | 597 | 347 | 600 |
| BOROUGH OF EAST YORK | 1.8% | 1,23 | 22,103 | 13,691 | 22,339 | 47 | 856 | 530 | 865 |
| DURHAM REGION | | | | | | | | | |
| CITY OF OSHAWA | 0.0% | 1,735 | 16,408 | 13,618 | 22,340 | 2 | 15 | 12 | 20 |
| TOWN OF AJAX | -1.9% | 1,680 | 15,648 | 9,339 | 11,769 | (68) | (632) | (377) | (475) |
| MUNICIPALITY OF CLARINGTON | 1.2% | 1,367 | 14,615 | 7,334 | 11,293 | 39 | 419 | 210 | 324 |
| TOWN OF PICKERING | -0.6% | 1,397 | 10,447 | 7,410 | 8,583 | (22) | (165) | (117) | (135) |
| TOWN OF WHITBY | -0.0% | 1,678 | 12,391 | 9,412 | 11,953 | (1) | (9) | (7) | (9) |
| TOWNSHIP OF BROCK | 8.2% | 1,342 | 6,238 | 10,273 | 13,863 | 240 | 1,114 | 1,835 | 2,477 |
| TOWNSHIP OF SCUGOG | 1.4% | 1,226 | 8,651 | 7,846 | 10,879 | 42 | 299 | 271 | 376 |
| TOWNSHIP OF UXBRIDGE | 4.8% | 1,221 | 12,166 | 9,564 | 15,500 | 127 | 1,466 | 1,153 | 1,869 |
| HALTON REGION | | | | | | | | | |
| CITY OF BURLINGTON | 0.6% | 1,520 | 14,271 | 8,603 | 13,874 | 21 | 202 | 122 | 196 |
| TOWN OF HALTON HILLS | 1.8% | 1,358 | 10,177 | 7,293 | 11,624 | 61 | 456 | 327 | 521 |
| TOWN OF MILTON | 5.4% | 1,068 | 11,406 | 6,721 | 8,136 | 159 | 1,701 | 1,003 | 1,214 |
| TOWN OF OAKVILLE | 1.1% | 1,228 | 12,756 | 6,503 | 11,504 | 33 | 347 | 177 | 314 |
| PEEL REGION | | | | | | | | | |
| CITY OF BRAMPTON | -1.4% | 1,409 | 8,962 | 7,058 | 10,299 | (50) | (320) | (252) | (368) |
| CITY OF MISSISSAUGA | -0.6% | 1,191 | 8,303 | 6,590 | 7,442 | (20) | (142) | (113) | (127) |
| TOWN OF CALEDON | 12.7% | 1,172 | 7,608 | 4,651 | 8,418 | 428 | 2,775 | 1,697 | 3,072 |
| YORK REGION | | | | | | | | | |
| CITY OF VAUGHAN | -0.9% | 894 | 5,649 | 3,806 | 6,416 | (26) | (166) | (112) | 189) |
| TOWN OF AURORA | 2.9% | 977 | 8,568 | 4,565 | 9,145 | 85 | 743 | 396 | 794 |
| TOWN OF MARKHAM | 0.5% | 925 | 8,366 | 6,684 | 7,084 | 14 | 128 | 102 | 109 |
| TOWN OF NEWMARKET | 1.1% | 936 | 6,065 | 5,040 | 7,385 | 34 | 218 | 181 | 266 |
| TOWN OF RICHMOND HILL | 1.3% | 1,047 | 9,158 | 5,526 | 7,766 | 41 | 361 | 218 | 306 |
| TOWN OF WHITCHURCH-STOUFFVILLE | 1.3% | 824 | 9,150 | 3,587 | 7,152 | 32 | 359 | 141 | 281 |
| TOWN OF EAST GWILLIMBURY | 2.9% | 940 | 6,845 | 4,445 | 7,226 | 83 | 603 | 392 | 636 |
| TOWN OF GEORGINA | 1.8% | 1,163 | 7,471 | 7,638 | 9,780 | 55 | 350 | 358 | 459 |
| TOWNSHIP OF KING | -1.5% | 630 | 4,265 | 4531 | 6,108 | (34) | (232) | (246) | (332) |

Note 1: Tax changes are for total taxes (i.e. municipal plus education taxes). Change in total taxes is determined by applying the municipal share of total property taxation in 1994 (e.g. approximately 44.5 percent for Toronto) to the percentage change in taxes arising from changes in service responsibilities.

Note 2: Changes in service responsibilities modelled by Hemson as per Task Force recommendations based on 1994 Financial Information Return from Ontario Ministry of Municipal Affairs and Housing.

Note 3: Details on scenario can be found in Appendix F.

Note 4: See Section 3.6 for definition of property classes. Class 1 (buildings with three to six units) was omitted because it comprises less than 2.5 percent of total GTA equalized residential assessment and because it only exists as a separate class in Metro.

6.9 MANAGING THE TRANSITION

Moving from the current governance structure to that proposed by the Task Force will involve significant change. The Task Force has given careful consideration to the best means of managing this change in order to ensure a successful transition.

The Task Force recommends an implementation plan that will fast-track reform of property taxation and replace existing regional governments with the new Greater Toronto Council in the municipal elections in 1997. Consolidation of some area municipalities should be pursued over the same period to ensure that all municipalities within the city-region have the financial capacity to deliver the full range of services proposed by the Task Force.

Greater Toronto Implementation Commission

The Task Force believes that, to achieve the momentum and focus required to successfully implement the reforms proposed in this Report, the Province should appoint an independent body to oversee the entire process.

The Greater Toronto Implementation Commission would be the main instrument for carrying forward the Task Force's recommendations on the future of Greater Toronto. It would require a unique combination of features and resources. The Commission should have the budgetary resources, staff, and legal authority needed to carry out its functions, particularly the restructuring of regional governments and area municipalities. Because these operations require coordinated action by several Provincial ministries, the Commission would maintain a close working relationship with the Provincial bureaucracy, but it would also require sufficient independence to move the change process forward without delay.

The Commission's major responsibilities in this period of transition would include:

- managing the process of municipal consolidation, including updating the initial impact analyses conducted by the Task Force to assess the financial and administrative impacts on individual municipalities and their ongoing viability, and conducting public consultations on proposed consolidations and changes to the GTA's outer boundaries;
- advising the Minister of Municipal Affairs and Housing on the legislative and administrative changes needed to implement the reform package;
- producing the first annual public report on municipal service costs for the purpose of benchmarking performance;
- undertaking the review of policing in Greater Toronto;

GOVERNING THE CITY-REGION

- developing new processes and structures for education financing;
- supervising the allocation of assets and liabilities necessitated by the phasing out of existing regional governments and any consolidations of local municipalities;
- developing an adjustment strategy for local municipal and regional employees affected by restructuring;
- preparing plans for dismantling existing regional departments and establishing new Greater Toronto Council structures for regional planning, environmental services, and economic development. This should include setting up the CAO's office, finance department, and other general government structures in preparation for the establishment of the Greater Toronto Council; and
- creating public awareness of the reform process, building an understanding of Greater Toronto's emerging identity, and promoting a sense of regional citizenship among Greater Toronto's constituent municipalities and residents.

The Commission would operate from the date the government determines the implementation approach until December 31, 1997. As of January 1, 1998, its functions would be assumed by the Greater Toronto Council.

The Commission should consist of one Commissioner, appointed by the Province by Order-in-Council, who would report directly to the Minister of Municipal Affairs and Housing. The Commissioner should have extensive knowledge of municipal and provincial governments, enjoy a high level of respect and credibility throughout the region, and be able to communicate effectively with the public, elected and non-elected senior officials, and the media. This role will require exceptional political skills, a demonstrated capacity for leadership and the critical ability to articulate and build support for an integrated and exciting vision for Greater Toronto.

The staff and budget for the Commission should be provided by the Ministry of Municipal Affairs and Housing. The staff should comprise public servants and individuals recruited from outside the public service. A senior executive, of Deputy Minister status, possibly a regional municipal CAO, should be recruited to head the staff.

Recommendation 49

The Minister of Municipal Affairs and Housing should appoint a Greater Toronto Implementation Commission, reporting directly to the Minister, to oversee implementation of the recommended reforms in Greater Toronto. Its mandate should include:

- finalizing the city-region's outer boundaries and managing municipal consolidations as required;
- advising on legislative and administrative changes;
- reporting on the costs of municipal services;
- undertaking the proposed review of policing;
- developing new processes and structures for education financing;
- supervising the allocation of municipal assets and liabilities arising from restructuring;
- developing an adjustment strategy for local municipal and regional employees affected by restructuring;
- planning for the replacement of regional governments by the Greater Toronto Council; and
- building an understanding of Greater Toronto's emerging identity and promoting a sense of regional citizenship among its municipalities and residents.

Local Municipalities in Transition

Many of the submissions we received called on the Task Force to undertake widespread consolidation of Greater Toronto's 30 municipalities. Calls for consolidation were largely premised on its capacity to achieve significant cost savings. The Task Force has identified three ways of looking at cost savings. The most commonly held view is that costs can be lowered through amalgamation or consolidation, essentially by paying fewer officials, both appointed and elected, to run the government. Other views are that substantial savings can be achieved by changing the culture of management to encourage more entrepreneurial behaviour, or by changing the organizational structure to improve the quality of decision making.

In its analysis of potential areas for cost-saving, the Task Force found that the benefits of amalgamation and consolidation are often over-stated:

- The cost of delivering services does not always fall as the amount of service increases. In fact, amalgamation can create diseconomies of scale. Moreover, the savings in eliminating administrative duplication can be offset by the upward migration of wages and service standards that often occurs when different wage and service structures are combined.⁵⁶

⁵⁶ For example, a 1992 study by Price-Waterhouse for the area municipalities of Ottawa-Carleton estimated that amalgamation in that region would increase annual operating costs by 5.5 to 16.5 percent. A separate study by Brock University economists found that costs increased with the size of municipalities. See J. Kushner et al., "Determinants of Municipal Expenditures in Ontario" (Brock University, St. Catharines August 1995).

- Amalgamation reduces competition between municipalities, potentially leading to less efficiency. With fewer municipalities against which to benchmark, there is less opportunity to measure relative performance and less pressure to keep costs low.

It is also worth considering that the optimal size of government is different for each service. Cost must be weighed against the need to maintain the quality and responsiveness of a service at a level acceptable to the public. Also, lower costs and more efficient services may be achieved without the disruption and loss of local control associated with amalgamation through the contracting of needed services from other local governments or the private sector.

The Task Force is not opposed to amalgamation in principle, but believes that the greatest cost savings can be achieved by introducing competition into service delivery and by improving decision-making. Injecting competition, innovation, and new management approaches into local government will allow municipalities to deliver services in a more cost-effective manner. Improved decision-making will reduce the costs associated with bad decisions. To deliver maximum value with the resources available, we must empower municipalities with a more permissive *Municipal Act* and focus on getting the structure of government right, not just cutting it down in size.⁵⁷

Although the Task Force is reluctant to recommend widespread municipal consolidation, we acknowledge that some municipalities, as they are currently configured, will lack the financial capacity to deliver the full range of services the Task Force is proposing. Under these circumstances, we believe consolidation should be pursued.

Assessing which municipalities fall into this category will entail detailed analysis of the fiscal impacts of our proposed reforms, including:

- disentanglement;
- the elimination of assessment pooling in Metro and the regions;
- the region-wide pooling of the education portion of commercial and industrial property taxes;
- introduction of the new pooling and funding functions of the Greater Toronto Council; and
- the costs of delivering newly-devolved services.

57 Getting it right, according to organizational theory, means that functions should be centralized when there are spillovers, scarce resources to protect, or when the planning horizon is long-term. In general, functions should be distributed to sub-units of the organization when issues are idiosyncratic, require a high degree of responsiveness to diverse sets of circumstances, or are short-term. In addition, as stated in the previous chapter, government should consider allowing the private sector to deliver those services that can be effectively contracted out, as long as the public interest is defined and protected. Applying these general organizational principles to government should yield true economies.

This analysis should take into account the initial impact analyses already conducted by the Task Force and the Province's proposed changes in municipal funding announced just prior to this report going to print.

The Task Force recommends that the Greater Toronto Implementation Commission, described above be assigned to model the fiscal impacts of the proposed reforms on individual municipalities, taking into account existing analyses and incorporating new 1996 Budget data. The Commission should also undertake a process of public consultation and make final recommendations to the Province on the optimal number and configuration of local municipalities in Greater Toronto. This process should give due consideration to the results of the municipal restructuring reviews currently underway in the regions of Durham and York.

June 1996 is the logical date for establishing boundaries if they are to take effect in time for the next municipal election. Local boundary questions also need to be resolved before the transfer of outstanding current upper-tier functions to local municipalities can be completed. Accordingly, the Commission should report on any proposed consolidations and the related boundary changes by June 1996.

Recommendation 50

The Greater Toronto Implementation Commission should:

- update initial modelling of the fiscal impacts of the reforms proposed in this report on each municipality in Greater Toronto;
- identify those municipalities which should be considered for consolidation;
- develop initial consolidation proposals, taking into account their own analysis and any recommendations arising from the municipal restructuring processes currently underway in the regions of Durham and York;
- undertake a process of public consultation with the affected municipalities and their residents; and
- make final recommendations to the Province on the optimal number and configuration of local municipalities in Greater Toronto, consistent with the reforms outlined in this report, by June 1996.

Timetable for Reform

The Task Force proposes the timetable outlined in Exhibit 6.7 for implementing the restructuring of governance in Greater Toronto. This will enable the Province and local governments to integrate the changes with municipal elections in 1997.

Recommendation 51

The Province should adopt the timetable set out in Exhibit 6.7 for implementation of the Task Force's recommendations.

EXHIBIT 6.7: TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS

1996

Establish Greater Toronto Implementation Commission to:

- Develop municipal consolidation proposals by June 1996
- Complete boundary reviews
- Advise on legislative and administrative changes
- Review policing
- Develop new processes and structures for education finance
- Report on costs of municipal services for benchmarking

Enact legislation:

- Greater Toronto legislative package
 - municipal consolidations where warranted
 - creation of Greater Toronto Council (effective January 1998)
 - region-wide pooling of non-residential education property taxes and related education governance and grant reform
 - dissolution of Metro and regional governments (effective December 1997)
 - provincial-municipal disentanglement
- New *Municipal Act*
- New *Assessment Act*
- *Development Charges Act* amendments

1997

- Expand local municipal powers
- Implement municipal consolidations
- Conduct Actual Value assessments
- Complete allocation of local and regional assets and liabilities
- Dissolve Metro and regional governments (December 31, 1997)

1998

- Establish Greater Toronto Council (effective January 1, 1998)
- Phase in Actual Value Assessment (starting with former Metro municipalities)
- Complete disentanglement

RECOMMENDATIONS

Chapter 2 Understanding the Greater Toronto Economy

Recommendation 1

A Greater Toronto economic strategy should be developed to build on this city-region's unique strengths by:

- investing in the physical and social infrastructure necessary to support key traded goods and service sectors;
- maintaining Greater Toronto's quality of life in all its dimensions and supporting an attractive, compact, and high-quality downtown core; and
- reorganizing and focusing business recruitment and retention efforts on the clusters of economic activity we already have in Greater Toronto, using a public-private partnership model.

page 70

Chapter 3 Reforming the Property Tax

Recommendation 2

The Province should adopt the Actual Value Assessment system for all classes of property.

page 96

Recommendation 3

To address the urgency of the assessment crisis, the Province should reassess Metro municipalities prior to the rest of Greater Toronto. It should also place the highest priority on reassessment of the non-residential sector.

page 97

Recommendation 4

The Province should introduce transitional tax relief upon implementation of a new assessment system. This relief should include:

- phasing in tax increases and decreases;
- a provincially-funded \$200 million transition program for low-income households to ensure that nobody need sell his or her home as a result of the reassessment; and
- a property tax deferral program for seniors.

page 99

Recommendation 5

The Province should assign to local municipalities in Greater Toronto control over the relative mill rates that apply to different classes of property for municipal purposes.

page 101

Recommendation 6

For a transitional period, while assessment and education finance reforms are being implemented, the Province should establish mill rate bands to limit the variability in the residential-to-commercial tax rate ratio. Legislative provisions that create these bands should contain a sunset clause to ensure that bands are phased out as soon as the Task Force's education finance reforms have been phased in fully. *page 102*

Recommendation 7

Commercial and industrial education taxes should be pooled across Greater Toronto and uniform commercial and industrial education tax rates should be created across the entire region. *page 105*

Recommendation 8

A new regional education allocation formula that accurately reflects per-student costs and clearly delineates various recognized expenditure categories should be introduced. The new allocation formula should adequately reflect student needs and demographic characteristics which affect education costs. *page 106*

Recommendation 9

To dampen the tax impacts of pooling non-residential education property taxes, the 15 percent education mill rate bias against non-residential property relative to residential property should be eliminated. *page 107*

Chapter 4 Shaping the City-Region**Recommendation 10**

Given the importance of effective infrastructure development to the region's economic competitiveness, the Greater Toronto Council should take responsibility for providing major infrastructure in the city-region, including:

- undertaking cost-benefit analysis to identify those infrastructure projects that support integrated and strategic planning region-wide;
- ranking infrastructure investments in order of priority;
- identifying opportunities for innovation in, and simplification of, infrastructure requirements; and
- establishing clear policies and procedures for public-private partnering in the provision of infrastructure. *page 120*

Recommendation 11

The Province should immediately undertake a targeted review of those provisions of the *Environmental Assessment Act* that are critical to urban infrastructure with a view to simplifying approval processes, eliminating duplication and unnecessary documentation, and delivering environmentally sound decisions. Given the importance of effective infrastructure development to the region's economic competitiveness, this review should be undertaken on an urgent basis and completed within 24 months. *page 121*

Recommendation 12

A Greater Toronto integrated plan should be prepared to set out a broad regional framework and objectives for the management of urban growth, infrastructure investment, economic development, and environmental quality. The new regional plan should accommodate most development in existing urban areas. *page 122*

Recommendation 13

Local municipalities should revise their by-laws in order to:

- identify areas where the development approval process leads to unnecessary duplication, inflexibility, and cost; and
- incorporate standards and provisions that support more flexible, compact, and efficient form. *page 124*

Recommendation 14

The Province should revise existing municipal and provincial infrastructure development standards in its upcoming review of the *Development Charges Act* to ensure that the standards support compact and efficient urban form. *page 127*

Recommendation 15

In its review of the *Development Charges Act*, the Province should revise the regulations under the Act to:

- require municipalities to incorporate full-cost pricing methods into the calculation of municipal development charges; and
- require that calculations of education development charges be based on the differential costs associated with the demographic characteristics and needs of households in different unit types. *page 129*

Recommendation 16

The Province should allow the Greater Toronto Council to introduce user fees on private vehicles, including a region-wide user fee on gasoline up to a stipulated maximum. Revenues generated from these user fees should be dedicated to transportation and transit infrastructure in Greater Toronto. *page 131*

Recommendation 17

The Ministry of Environment and Energy should establish standards appropriate for intended use in the clean up of brownfield sites. *page 136*

Recommendation 18

The Province (and the Federal Government) should enact legislation to address the issues of liability of lenders, receivers, and trustees regarding the redevelopment of brownfield sites. *page 136*

Recommendation 19

The Greater Toronto Council should establish a strategic and comprehensive regeneration program for the redevelopment of brownfield sites. *page 136*

Recommendation 20

Information on industrial and formerly industrial lands within the region should be collected in a Greater Toronto site registry to facilitate brownfield site redevelopment. *page 136*

Chapter 5 *Strengthening Municipalities*

Recommendation 21

The Province should disentangle the funding and policy-setting responsibilities for services as follows:

- the Province should assume full responsibility for policy-setting and funding of general welfare assistance and children's services;
- the Province should discontinue conditional transfers to municipal governments, but continue to provide provincial unconditional grants to municipal governments;
- the Province should continue to provide capital grants for regional capital investments, but discontinue capital grants for local projects; and
- this disentanglement should be neutral in its financial impact between the Province and the municipalities, with the Ontario Unconditional Grant being adjusted to balance any discrepancies. *page 142*

Recommendation 22

Municipal governments in Greater Toronto should actively pursue cost savings and efficiencies through competitive processes, including contracting out the delivery of service, after taking into account the impact on employees, service quality, and accountability. *page 153*

Recommendation 23

Municipal service delivery data should be collected and analyzed in a uniform and consistent fashion by the Greater Toronto Council in order to provide benchmarks of performance and increase the incentive for municipalities to deliver services in a cost-efficient manner. The first of a series of annual reports should be produced by the Greater Toronto Implementation Commission in 1996, with the support of the Greater Toronto Coordinating Committee (GTCC). The existing data compiled by the GTCC should be made available immediately to municipal councils for their review. *page 156*

Recommendation 24

In consultation with the municipalities, the Province should introduce a new *Municipal Act* that will empower municipal governments by indicating those broad areas where they can operate and by giving them scope to carry out their responsibilities. The new *Act* should enable municipalities to contract out and enter into public/private partnerships for service delivery. *page 157*

Chapter 6 Governing the City-Region**Recommendation 25**

The Province should implement the following changes in the governance of Greater Toronto:

- replace the five existing regional governments with a single Greater Toronto regional government with a more limited number of functions; and
- strengthen local municipalities with added powers and the responsibility for delivering a wider range of local services. *page 166*

Recommendation 26

Revision of the external boundaries of the Greater Toronto region, consistent with the criteria of commutershed, cohesiveness, and anticipated development, should be referred to the Greater Toronto Implementation Commission and considered in conjunction with the municipal restructuring process. *page 169*

Recommendation 27

The Province should establish an indirectly-elected Greater Toronto Council for the Greater Toronto region:

- including the mayor (or member of council designated by the mayor) of each municipality with a population of 100,000 or more;
- with provision for municipalities with populations greater than 140,000 to send more representatives from their local council, on the basis of one councillor for each additional 140,000 (\pm 70,000) residents;
- including one mayor (or member of council designated by the mayor) from each newly created electoral district, selected by mutual agreement by the constituent local councils;
- with each Greater Toronto Council member having one vote; and
- limited to approximately 30 members.

page 172

Recommendation 28

The Greater Toronto Council should be guided by an Executive Committee of six members, comprising:

- the Chair of the Council;
- the Mayor of the City of Toronto (or a member of council designated by the Mayor);
- a member selected by those municipalities comprising the 25 percent with the smallest populations; and
- three members selected at large by the Council from among the remaining members.

page 173

Recommendation 29

The Province should appoint the first Chair of the Greater Toronto Council, either from within or from outside the Council, for the first term. Thereafter, the Council should be empowered to elect as Chair any one of its members or any other person.

page 174

Recommendation 30

Fire services should remain a local responsibility at this time. The Province should investigate the potential for improving cost-effectiveness through improved coordination or possible integration of some services and facilities.

page 178

Recommendation 31

The Province should review the appropriate scale for coordination of ambulance services, and the possible amalgamation of ambulance and fire services, with a view to achieving greater efficiencies and improving response times. This review must be completed prior to the restructuring of municipal governance in 1997.

page 179

Recommendation 32

Responsibility for streets, roads, and old provincial highways should be assigned as follows:

- all urban streets, avenues, and roads should be the responsibility of local municipalities;
- all local roads in rural communities should be the responsibility of the local municipality;
- all regional roads in rural areas should be the responsibility of the Greater Toronto Council; and
- as the Province devolves responsibility for old provincial highways, those in urban areas should be assigned to area municipalities, while those in rural areas should be assigned to the Greater Toronto Council.

page 180

Recommendation 33

Municipal electric utilities should be accountable to area municipal councils and their members should be appointed by the councils.

page 181

Recommendation 34

Area municipalities should assume responsibility for delivering a range of functions, some of which are provided by regional municipalities, including:

- community services (welfare, hostels, children's services and homes for the aged);
- public health;
- fire services;
- urban streets, avenues, and roads;
- parks, recreational facilities, and community centres;
- promotion of local arts and culture, management of libraries, and protection of heritage buildings;
- some development approvals, licences, and permits; and
- licensing (except for taxicabs, limousines, and tow trucks, all of which should be assigned to the Greater Toronto Council).

page 183

Recommendation 35

The mechanism of flexible service districts should be introduced to allow for region-wide service planning and coordination by the Greater Toronto Council, while ensuring that services are delivered on a more local basis, in accordance with the needs and preferences of different communities. Services to be delivered in this manner include: conservation, transit, police, water and sewer, and waste management.

page 186

Recommendation 36

The responsibility for regional planning should be transferred from the five existing regional governments to the Greater Toronto Council. The Greater Toronto Council should be given primary responsibility for integrating infrastructure and land use planning in the region. *page 186*

Recommendation 37

The Greater Toronto regional plan should give priority to infrastructure investments needed to support key sectors of the economy, specifically improvements to Pearson International Airport, the completion of Highway 407, and enhancements to the region's transit systems. *page 187*

Recommendation 38

The Province should devolve delivery of the environmental permitting and approval functions currently delivered by district and regional offices of the Ministry of Environment and Energy, Ministry of Natural Resources, and Ministry of Agriculture, Food and Rural Affairs to the Greater Toronto Council. These should be carried out by restructured conservation authorities that report directly to the Council and are responsible for delivering their current functions, as well as those newly devolved from the Province, on a watershed basis. *page 188*

Recommendation 39

Environmental services for the city-region should be coordinated at the regional level. The Greater Toronto Council should coordinate and streamline planning, administration, and delivery of services currently split among several provincial ministries, five regional governments, and five conservation authorities. *page 192*

Recommendation 40

A Greater Toronto public-private economic development partnership should be established to act as a single marketing body for the city-region. The partnership should be responsible for:

- marketing the region internationally to attract investment;
- delivering a broad-based business retention strategy;
- monitoring Greater Toronto's economic performance; and
- acting as a repository for strategic economic data collected on a regional basis and used for business attraction and retention purposes.

The new partnership should be structured as an independent corporation at arm's length from the Greater Toronto Council and have majority representation from the private sector. *page 193*

Recommendation 41

Municipal economic development functions relating to business attraction and international marketing should be replaced by those undertaken at the Greater Toronto regional level. Certain functions, including facilitating new business formation, local business retention, assistance with business expansion, permits and approvals, and data collection, should continue to be provided at the local municipal level. *page 194*

Recommendation 42

The Greater Toronto Implementation Commission should undertake an immediate review of policing in the Greater Toronto region in order to institutionalize community policing, ensure civilian control of police forces, enhance budget accountability, and make policing more effective. The Province should integrate the findings of this review with its planning for the future of policing in Ontario. In the interim, Greater Toronto police services should continue to be provided through the five existing regional police forces. *page 197*

Recommendation 43

The Greater Toronto Council should undertake the planning and coordination of transit services across the region, while allowing for service delivery by a variety of transit operators on a service district basis to maintain locally responsive services and promote efficiency, innovation, and competition among service providers. *page 199*

Recommendation 44

Consistent with the principles for disentanglement set out in Chapter 5, the Province and the Greater Toronto Council should resolve the ownership and co-financing of the region's highways and expressways and establish clear protocols for approval processes, funding, construction, and maintenance. *page 200*

Recommendation 45

The central traffic computer, a critical component of the region's road infrastructure, should be managed by the Greater Toronto Council to ensure the efficient movement of traffic between local municipalities. *page 200*

Recommendation 46

The Greater Toronto Council should be directly responsible for:

- regional planning;
- economic development;
- management of regional assets; and
- construction and maintenance of regionally significant highways and Metro expressways.

In addition, it should oversee the delivery and operations of:

- environmental quality services;
- police;
- transit;
- water and sewer works, major trunks, reservoirs, and pumping stations;
- waste disposal, transfer, and recycling; and
- licensing of taxicabs, limousines, and tow trucks.

page 203

Recommendation 47

The Province should establish the necessary policy and procedures to enable relevant Ministries and the Greater Toronto Council to undertake complementary planning and co-financing initiatives in the following areas:

- regional planning;
- environmental protection and conservation;
- transportation planning and development;
- sewer and water works, and waste treatment and disposal; and
- economic development and investment.

page 204

Recommendation 48

The Greater Toronto Council should approve budgets and determine cost-sharing arrangements for all regional services. To meet its responsibilities, the Greater Toronto Council should levy annually against area municipalities, raise other taxes and fees, and borrow for capital purposes.

page 208

Recommendation 49

The Minister of Municipal Affairs and Housing should appoint a Greater Toronto Implementation Commission, reporting directly to the Minister, to oversee implementation of the recommended reforms in Greater Toronto. Its mandate should include:

- finalizing the city-region's outer boundaries and managing municipal consolidations as required;
- advising on legislative and administrative changes;
- reporting on the costs of municipal services;
- undertaking the proposed review of policing;
- developing new processes and structures for education financing;
- supervising the allocation of municipal assets and liabilities arising from restructuring;
- developing an adjustment strategy for local municipal and regional employees affected by restructuring;
- planning for the replacement of regional governments by the Greater Toronto Council; and
- building an understanding of Greater Toronto's emerging identity and promoting a sense of regional citizenship among its municipalities and residents.

page 212

Recommendation 50

The Greater Toronto Implementation Commission should:

- update initial modelling of the fiscal impacts of the reforms proposed in this report on each municipality in Greater Toronto;
- identify those municipalities which should be considered for consolidation;
- develop initial consolidation proposals, taking into account their own analysis and any recommendations arising from the municipal restructuring processes currently underway in the regions of Durham and York;
- undertake a process of public consultation with the affected municipalities and their residents; and
- make final recommendations to the Province on the optimal number and configuration of local municipalities in Greater Toronto, consistent with the reforms outlined in this report, by June 1996.

page 214

Recommendation 51

The Province should adopt the timetable set out in Exhibit 6.7 for implementation of the Task Force's recommendations.

page 215

TERMS OF REFERENCE

The Government of Ontario is committed to the highest level of economic health and community life in the Greater Toronto Area. Recent structural changes in the economy and the evolving social and demographic composition of our population have placed the physical and human fabric of Canada's leading urban area under considerable stress. The system of managing our cities at both the municipal and provincial levels is under extraordinary financial strain and is no longer matched to the tasks it faces. Area residents are increasingly concerned about their economic future and that of succeeding generations, about the dense, confusing and expensive layering of urban government and about public safety.

Despite these challenges, the quality of urban life in Toronto is consistently ranked among the highest in the world. The citizens of the region have in the past shown their collective genius in creating the structures and culture of urban governance that earned those accolades. The mandate of the Task Force is to renew once more that community commitment and to provide the province with fresh, independent and well-founded advice on managing our common urban future.

The urgency of many of the issues facing the Greater Toronto Area requires immediate action. However, in proposing any program of short-term actions the Task Force must consider its longer-term objective. That objective is to provide direction for the future governance of the GTA, including the potential restructuring of the responsibilities and practices of municipal and provincial governments. The Task Force must define a system and a style of governance, appropriate to the Toronto of the next century, that promotes economic health and competitiveness, community well-being and a high quality urban environment. That governance system must be founded on a solid base of municipal finance, must promote effective and efficient urban management, must be accountable to and representative of the diverse Toronto of the future, and must promote the broadest civic engagement. It must be founded on an ecosystem approach to all aspects of its operation as developed by the work of the Waterfront Regeneration Trust.

There is vast scope and complexity to the way in which the urban areas of the Toronto region are now governed. To be most useful the Task Force must focus on setting a new course for the new century and attempt to answer the fundamental questions our citizens are asking:

- How do we best organize ourselves to avoid the urban problems of many U.S. cities and maintain the secure and satisfying quality of life we now feel under threat?

**GTA Task
Force**

**Objective of
the Task
Force**

- How do we get the best value for our investment in local government?
- What are the major structural and operational changes to urban government that would increase its cost-effectiveness and responsiveness?
- How do cities best promote the well-being of their communities and regional economy in a rapidly changing and globalizing world?
- How do we best establish our common citizenship in the wider Toronto region while maintaining our local identity?
- What system of urban government best meets the needs of a society much of whose community is no longer based on neighbourhood? How do we support and foster individual and community involvement and self-reliance?
- How should the principles of equity, competition and choice apply to municipal functions across the GTA?

These are crucial questions, ones on which the public is seeking answers both here and in most mature urban societies; ones on whose answers any new system of regional urban governance should be based.

The Task Force conclusions should draw on its formal and informal consultations, on independent research on the state of urban governance in other jurisdictions and on its understanding of the qualities and character of the communities that make up our city region. In its initial deliberations it should focus on the questions of the appropriate financial and functional requirements for 21st century urban government, leaving to the end of its review the otherwise contentious questions of the form such government might take.

At the completion of its mandate, no more than eighteen months from its initiation, the Task Force will report on its recommendations on the general direction and philosophy of urban government in the GTA and specifically:

- the appropriate geographic scale, hierarchy and responsibilities of municipal government;
- the appropriate functional responsibilities of the municipal and provincial levels;
- the appropriate operating principles for effective, efficient and accountable urban government.

Confidence in the Central City

The first issue for the Task Force is the apparent and potential further decline in economic attractiveness of the core of the GTA. The Province of Ontario is absolutely committed to the maintenance and enhancement of a healthy, vibrant and diverse central city for the benefit of all citizens of the GTA and the country as a whole. It regards as essential ensuring the continuing confidence and competitiveness of the single most important economic and social component of the region. The Task Force must respond to the perception that property tax and

A P P E N D I X A

transfer payment differentials between Metro and its adjoining regions are causing business relocations. It must determine whether an interim resolution of Metro's assessment uncertainties is required and what form such action should take. It must give direction on which of Metro's financial obligations are the responsibility of a wider region and which local.

The province considers these issues of immediate importance and asks the Task Force to address them as a matter of priority having appropriate regard for the milestone dates of the 1996 provincial and municipal budget rounds.

The governments of the GTA, both provincial and municipal, have been responding to many of the individual issues that face us as an urban region. Many processes, most importantly those set up by the Greater Toronto Coordinating Committee, the GTA Mayors and Chairs and the service rationalisation and coordination reviews set in motion within most of the regions, are already bringing forward positive and important collaborative initiatives. Several previous and parallel studies — the Fair Tax Commission, the recent "For the Love of Learning" report and the Disentanglement exercise — have laid out well-considered recommendations. Several of these should be considered by the Task Force as potential proposals for short-term action.

On these and other short-term issues that may arise, the Task Force is to be action-oriented. The province encourages the Task Force to generate recommendations for action throughout its mandate.

The Task Force will comprise a Chair and four members. The Chair will serve as chief executive officer and public spokesperson and will be supported by a secretariat. The Chair and/or the Task Force will report to the Premier.

The Task Force should operate in a manner that ensures the ongoing participation and advice of municipal and provincial staff and elected officials. It should structure formal and informal processes and, to that end, will make use of the existing GTCC and similar activities, establish appropriate advisory groups that reflect the importance of the issues and the diversity of the community and secure secondments of appropriate municipal staff. The Task Force will in its initial stage prepare a program for obtaining such advice. The province will appoint a deputy minister to coordinate its response to and support of the Task Force.

The challenge for the Task Force in arriving at recommendations within the scope described above is not underestimated. For that reason some limitations are suggested for the terms of reference. The Task Force should limit its review

Action Orientation

Securing Municipal and Provincial Involvement

Limits to the Scope of the Task Force

to the five regions that now comprise the GTA. The Task Force should consider education financing issues as they affect the Greater Toronto Area/Metro in light of the Royal Commission on Learning and government initiatives following from the Royal Commission on Learning. The Task Force should not deal with the issue of waste management nor with health management, other than as local services, nor with education governance.

Research Activities of the Task Force

The Task Force is not primarily seen as a research or detailed investigatory activity. Nonetheless technical and research resources will be required in two areas:

- **Municipal Finance Impact Model**

The Task Force should oversee the creation of a municipal finance impact model, utilizing the resources of the Municipal Finance Branch, Ministry of Municipal Affairs and the Tax Policy Branch, Ministry of Finance. This Model would be employed to test at a policy level the impact of various proposals affecting municipal finance through the course of the review. Outside consultants may also be required to support this effort.

- **Research on Precedents of Urban Governance**

The Task Force will commission appropriate research including on the state of the art of relevant aspects of urban governance in cities around the world. Much useful work has already been done in these areas and the Task Force should build upon, not duplicate, the considerable body of existing research.

Public Involvement During Task Force Review

The Task Force is to operate in an open, transparent and accessible fashion to all areas, individuals, groups and interests in the GTA. The urgency of the issues involved and its limited schedule require that extensive public consultation to be undertaken. The Task Force is not intended to operate as a royal commission with formal public hearings. Through its work the Task Force is to make creative use of communications technology to provide opportunities for easy contact with and input from the region's over four million citizens.

APPENDIX TO THE TERMS OF REFERENCE

Potential Questions For the Task Force

The following potential questions, grouped by topic area, are listed to indicate the wide range of matters that concern the government in a review of the future governance of the GTA. The Task Force must however make its own determination of the appropriate issues and how many such questions, and in what detail, it can address to meet short and long-term mandate.

Municipal Finance

The fundamental question is how to provide the solid financial basis for municipal service delivery into the next century in a way that contributes to a vigorous economy and community well-being. This question breaks down into a number of detailed inquiries.

- Is the property tax an adequate and/or appropriate basis for future municipal finance?
- What are the opportunities/dis-benefits of revenue alternatives such as GTA dedicated gas tax, income tax, sales tax etc.
- On what principles is the property tax system made equitable across the entire region? Which elements of tax and expenditure should be common and which local?
- What are the order-of-magnitude cost efficiencies that could arise from significant delayering, commercialisation of service delivery and other changes to municipal practice?
- How can local spending control best be exerted over the seemingly non-discretionary elements of the municipal budget — police, education, welfare and transit?

Economic Health and Competitiveness

The fundamental question in this topic area is how municipal government can best contribute to the economic health and competitiveness of the GTA. Which in turn asks the questions:

- What is the best combination of fundamentals — low taxes, well-trained work force, high quality of life, de-regulation, low-cost and reliable services, solid, secure communities — we need for competitiveness and how does municipal government best ensure them?
- What is the best way to market the GTA, who should be doing it, to which markets?
- What key elements of competitive infrastructure are lacking in the GTA?
- What is the best way to stimulate community economic development?
- What is the strategy for increasing the economic role of the airports, tourism and meeting facilities?
- What is the right split between local and GTA-scale economic development activity?

Infrastructure

How do we ensure the continued supply and maintenance of the infrastructure required to meet the economic, community and urban form goals for the GTA in the face of accelerating pressures of growth and change and declining public financial resources?

The secondary questions that fall from this fundamental issue are as follows:

- How will we as an urban region be able to finance the anticipated future infrastructure requirements?
- How do we better manage the supra-regional scale of most large infrastructure from a planning, funding and operational perspective?
- How far can user-pay and commercialisation philosophies be extended without compromising economic, social or other goals?
- Do we need to develop clear protocols for joint ventures in infrastructure delivery?
- What steps should be taken to “wire” the region in a fibre-optic network?

Municipal Management

If the structure and responsibilities of local government are to be redistributed vis-à-vis the province and other municipalities, what is the best operating scale and style for each of its functions? A myriad of questions flow from this, but some of the more important are:

- What are the cost efficiency principles for each municipal function? What are the economies and diseconomies of scale?
- What are the implications for human resources in major municipal restructuring and how are they best dealt with?
- How are impediments to creativity and competition in the quality and cost of service delivery best removed?
- How can the technological revolutions that have transformed all other major service delivery systems be fully applied in municipal government?
- Does the movement towards community policing suggest major organizational changes in the structure of policing for the GTA.

Urban Form

How do we keep Toronto still the kind of city we want to live in? How do we ensure that the meeting of our economic and social goals occurs within a sense of place and environment that can be enjoyed by all our citizens? A shared vision perhaps, but one that requires answers to the following questions:

- How do we remove the impediments to the intensification/reurbanisation process?
- How do we encourage the reuse of post-industrial land?
- Do we need a defined urban boundary?

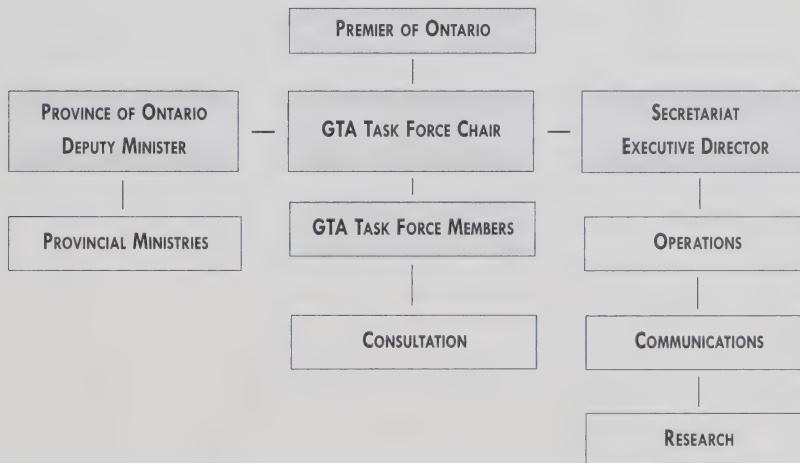
A P P E N D I X A

- How are the conflicts between infrastructure planning and urban form best resolved at the supra-regional level?
- Should we engage in a radical deregulation of the management of change in our urban areas?

The following potential short-term actions are listed to indicate some initiatives the Task Force could consider for recommendations for early action during its mandate. The Task Force must however make its own determination of priorities.

- What additional steps are necessary to ensure rapid progress towards transit integration across the GTA?
- What is the best marketing strategy for the GTA airport system to enhance its contribution to the regional economy?
- How can the major downtown public meeting and tourism facilities in the GTA best be promoted and coordinated to the benefit of the GTA?
- Are the recently proposed guidelines on industrial land decommissioning sufficient to encourage the reuse of now vacant sites? Are other further steps or programs required?
- How can the district heating initiatives of the City of Toronto, Ontario Hydro and others best be advanced?
- Should the recent property tax proposals for the hotel industry be implemented?

Potential Short-Term Actions



Structure of the Task Force

TASK FORCE MEMBERS

Anne Golden (Chair)

Anne Golden, B.A., M.A., Ph.D., is currently president of the United Way of Greater Toronto, a position she took on in December 1987 after six years with the agency, first as Director of Allocations and Government Relations, and then as Campaign Director. As president, she is responsible for Canada's largest annual fundraising campaign — a campaign which raised \$50.2 million in 1995. Dr. Golden is the public spokesperson for United Way, promoting the development of needed community services and fostering a public sense of social responsibility. Her personal commitment to multiculturalism and volunteer development is reflected in United Way's acknowledged leadership in these areas. Anne Golden holds a Masters of Arts degree from Columbia University and a Ph.D. (in American History) from the University of Toronto. Previous positions held include Special Advisor to Leader of the Opposition, Director of Ontario Liberal Policy Research, Co-ordinator for the Bureau of Municipal Research, and Lecturer at various Universities. She also serves as a Governor of the University of Toronto, a Director of Sceptre Investments Counsel Limited, and is a member of several non-profit Boards and advisory groups.

Jack Diamond

Jack Diamond, B.Arch. (Dist), M.A., M.Arch., is both an architect and a planner. He and his firm have received international recognition for their work. They have received many awards, among them four Governor Generals awards for architecture. The practice of his firm, A. J. Diamond, Donald Schmitt and Company, extends across Canada, the U.S.A., Europe, the Middle East, the Caribbean and South East Asia. Jack Diamond holds a Bachelor of Architecture degree (with distinction) from the University of Capetown; a Masters of Arts degree from Oxford University in Politics, Philosophy and Economics; and a Masters of Architecture degree from the University of Pennsylvania. He is a Fellow of the Royal Architecture Institute of Canada and an Honourary Fellow of the American Institute of Architects. He received the Toronto Arts Award for Design and Architecture in 1989, and an Honourary Doctorate in Engineering from the Technical University of Nova Scotia in 1995. He is a member of the Royal Canadian Academy of Arts, the Board of Governors of Mt. Sinai Hospital, and the Executive of the Board of the Jerusalem Foundation. From 1986 to 1989 he was a Commissioner of the Ontario Human Rights Commission.

Thomas W. McCormack

Tom McCormack, B.A., M.A., is president of Strategic Projections Inc., and is a recognized authority of Canada's economic and demographic prospects. He is a member of the board of the Canadian Association for Business Economics, the



A P P E N D I X B

Municipal Officers Association, the Institute of Public Administration of Canada, and the Canadian Population Society. Mr. McCormack is also active in the community, currently serving as chairman of the Halton Industry Education Council, president of the Canadian Club of Oakville, and a member of the board of the Oakville Chamber of Commerce. Tom McCormack holds a Master of Arts degree from the University of Western Ontario and has almost 25 years experience as an economic forecaster and advisor in both the private and public sectors, including 12 years with various federal government policy agencies in Ottawa.

J. Robert S. Prichard, O.C., M.B.A., LL.B., LL.M., LL.D., is president of the University of Toronto. He has taught at the University of Toronto since 1976, serving as Dean of the Faculty of Law for six years before assuming the presidency in 1990. A specialist in economic analysis of law, he has also taught at the Yale and Harvard Law Schools. Professor Prichard studied honours economics at Swarthmore College and holds an M.B.A. from the Graduate School of Business at the University of Chicago. He received his LL.B. from the University of Toronto, and his LL.M. from Yale Law School. He is an Officer of the Order of Canada and has received honorary degrees from the Université de Montréal and the Law Society of Upper Canada. Professor Prichard is a member of the Board of Directors of the Association of Universities and Colleges of Canada, a member of the Executive Committee of the Council of Ontario Universities, a member of the American Association of Universities, a director of the Ontario International Trade Corporation, Enghouse Systems Ltd., Imasco Ltd., Onex Corporation, and Tesma International Inc. He also serves as a governor of Upper Canada College, a trustee of the Royal Ontario Museum, and a director of the Toronto Hospital.

*J. Robert S.
Prichard*

Dr. Joseph Wong, O.C., B.Eng., M.D., D.Sc., is a Toronto family practitioner actively involved in both the Chinese and non-Chinese communities. He has helped raise tens of millions of dollars for refugee relief, medical research, and geriatric care facilities in Canada. Since 1982, he has been a key member in the multicultural transformation of the United Way and served as chairman of the United Way of Greater Toronto from 1990 to 1992. Dr. Wong is also on the boards of the Canadian Civil Liberties Association, Mount Sinai Hospital, Premier's Council for Health, Well-Being and Social Justice, the Canadian Council of Christians and Jews, CT Financial Services and Canada Trustco. Dr. Wong was chosen Man of the Year by the Toronto Star in 1986 and awarded the Order of Canada in 1992. He studied medicine at the Albert Einstein College of Medicine in New York. He also has a degree in electrical engineering from McGill University and holds an honorary Doctorate of Science degree from the University of Toronto.

*Dr. Joseph Y.
K. Wong*

A P P E N D I X C

PEOPLE WHO ASSISTED THE TASK FORCE

We would like to thank the following people for their assistance

| | | |
|------------------------|--------------------|---------------------|
| Philip Abrahams | Nigel Bellchamber | Joanne Campbell |
| John Adams | Beth Benson | Donna Cansfield |
| Howard Adelman | Mike Benson | Gerald Caplan |
| John Aker | Meredith Beresford | Margaret Caravaggie |
| Joan Alfrey | Milton Berger | Robin Cardozo |
| Beverley Allen | Anne Bermonte | Theresa Caron |
| Peter Allen | Joe Berridge | Alfred Carr |
| Larry Allison | Bryan Bertie | Glenna Carr |
| Carl Amrhein | Murray Beynon | David Carter |
| Barbara Amsden | Keith Bird | John Cartwright |
| James Stewart Anderson | Richard Bird | Jeff Chambers |
| Theresa Andrews | Margaret Black | Gundy Chambers |
| Wayne Arthurs | Gail Blackburn | Fiona Chapman |
| Brian Ashton | Pamela Blais | Chris Charleton |
| Jay Aspin | Frank Bobesich | Raymond Cho |
| | Michael Boggs | Gordon Chong |
| Rich Bailey | Ila Bossons | Bob Christie |
| Janice Baker | John Bossons | Gardner Church |
| Ron Bakker | Sheila Botting | Gail Clark |
| Nancy Bardecki | Paul Bottomley | Cam Clarke |
| Bill Barker | Larry Bourne | Anne Collins |
| Jim Barker | Pierre Bourque | John Cole |
| Doug Barnes | Patty Bowman | Peter Cole |
| Peter Barnes | Harold Braithwaite | Eli Comay |
| Anthony Barone | David Bray | Chris Conti |
| Suzanne Barrett | Margaret Britnell | Terry Cooke |
| Vicki Barron | John Britton | Helen Cooper |
| George Bartlett | Ian Bromley | Carmen Corbasson |
| Don Baxter | John Brown | Don Cousens |
| Louise Beaupres | Jim Bulloch | Dan Cowin |
| John Bech Hansen | John Burke | Michael Cox |
| Charles Beer | Carrie Burns | Gordon Cressy |
| Gail Beggs | Dan Burns | Robert Cranch |
| David Bell | Keith Burton | David Crane |
| William Bell | | |

A P P E N D I X C

| | | |
|---------------------|-------------------|----------------------|
| David Crombie | Jeff Evanston | Michael Goldberg |
| Bill Crothers | Tim Eye | Kevin Goldthorp |
| David Culham | Hershell Ezrin | Allan Golombek |
| Bill Currie | | Dick Gordon |
| | Bill Farlinger | Bill Granger |
| Frank Dale | Andrew Farncombe | Jordan Grant |
| Ron Daniels | Frank Faubert | Bob Gray |
| George Davies | Natasha Feder | John Gray |
| Rita Davies | W. Michael Fenn | Joan Green |
| Rob Davis | Susan Fennell | June Clark-Greenberg |
| John Day | Paul Fernandes | Ken Greenberg |
| David Deaves | George Fierheller | David Greenspan |
| John De Grove | Ann Finlayson | Allan Gregg |
| Elvio DelZotto | Susan Fish | Lois Griffin |
| Annie Dell | Anne Flierman | Robert Grossi |
| Michael Dennis | Roland Fleming | David Gunn |
| Diana Dewar | Kevin Flynn | David Gurrin |
| Janet Dey | Beryl Ford | David Guscott |
| Nancy Diamond | Dennis Fotinos | |
| Ken Dickin | Ursula Franklin | Kathy Haas |
| Frans Dieleman | Frances Frisken | Barbara Hall |
| Caroline DiGiovanni | Allan Frost | Howard Hall |
| Allan Doheny | Joyce Frustaglio | Peter Hall |
| Richard Doherty | Robert Fulford | Ralph Halpert |
| Garth Drabinsky | Laura Furst | Diane Hamre |
| Deborah Dubenofsky | | Steve Handler |
| Rick Ducharme | Gunter Gad | Ed Hanowski |
| Bill Dunford | Kevin Garland | Palle Hansen |
| Cliff Dunkeld | Ted Garrard | James Harding |
| Susan Dunn | Mike Garrett | Lee Harding |
| | Len Gertler | Irv Harrell |
| Tom Edwards | Meric Gertler | Bea Harrison |
| Arthur Eggleton | Richard Gilbert | Jack Hauseman |
| Robert Elliot | Don Gilroy | Imants Hausmanis |
| Wayne Emerson | Brenda Glover | Peter Healey |
| Enide Emond | Peter Godfrey | Frank Heaps |
| Susan Eng | Peter Godsoe | Karen Hen |
| Kim England | Sean Goetz-Gadon | Brad Henderson |

A P P E N D I X C

| | | |
|---------------------|-------------------------|---------------------------|
| Catherine Henderson | David Johnstone | Clare Lewis |
| Stephen Herbert | Ken Jones | Wanda Liczyk |
| Gary Herrema | Tim Jones | |
| Peter Hill | | Bob Linton |
| David Hipgrave | Stephen Kaiser | Elma Lobo |
| Marlene Hoare | Ron Kanter | Rick Loreto |
| David Hobbs | Jay Kaufman | Steve Lowden |
| Bill Hogarth | Frank Kelly | Robert Lutczyk |
| John Hogg | Norm Kelly | Doug Lychak |
| Alfred Holden | Maureen Kempston Darkes | Ed Lyons |
| Doug Holyday | Harold Kennedy | |
| John Honderich | Gillian Kerr | Janet Mabley |
| Diane Horner | Leslie Kilmartin | Gayla MacDonald |
| Gerry Houston | Eldred King | Pam MacDonald |
| John Howe | Joan King | Todd MacDonald |
| Shirley Hoy | Larry Koehle | Bruce MacGregor |
| David Hughes | Fred Koenig | Jim MacKay |
| David Hulchansky | Emil Kolb | Hugh Mackenzie |
| Diane Humeniuk | Heather Konefat | Ron MacIsaac |
| Bob Hunter | Gordon Krantz | Michael MacIssac |
| Roger Hyman | Bob Kyle | Claudette Mackay-Lassonde |
| | | Katie Mahoney |
| Neal Irwin | Daniel Labrecque | Ann Markusen |
| Nando Iannicca | Veronica Lacey | Stanley Makuch |
| Don Ingram | Pauline Laing | Jane Marlatt |
| Engin Isen | Stien Lal | Peter Marshall |
| Carl Isenberg | Michele Lalonde | Stan Marshall |
| | Ann Langleben | Dale Martin |
| Fran Jackson | Anne Larson | Craig Mather |
| Jeff Jackson | Mel Lastman | John Matheson |
| Lorna Jackson | Randy Leach | Bruce Mau |
| Jane Jacobs | Diane Lebovic | Ron Maurice |
| Helena Jaczek | Bob Lehman | Rob Maxwell |
| Craig Jamieson | James Lemon | Paul May |
| Ries Jansen | Brian Lenglet | Leo McArthur |
| Pamela Jeffery | Susan Lennard | Hazel McCallion |
| Linda Jessop | Mary Jane Lennon | Patricia McCarney |
| Judith John | Frank Lewinberg | Michael McDonald |

A P P E N D I X C

| | | |
|--------------------|---------------------|--------------------|
| Diane McGarry | Douglas Morrow | David Pecaut |
| Frank McKechnie | James Mortson | Brian Penman |
| Frank McKenzie | Patrick Moyle | Joseph Pennachetti |
| | Pat Mullin | Fred Peters |
| Herb McKenzie | Walter Mulkewich | Pat Peterson |
| Ned McKeown | Ann Mulvale | Larry Petovello |
| Elizabeth McLaren | Terry Mundell | Gabija Petrauskas |
| Stephen McLaughlin | Bill Munden | Douglas Petrie |
| Ross McLellan | Robert Nairn | Susan Pigott |
| Don McVicar | Marc Neeb | Juri Pill |
| Bruce McQuaig | Cliff Nelles | Kostas Plainos |
| Peter Meffe | Fiona Nelson | Susan Plamondon |
| Gerry Meinzer | Paul Nicholls | Richard Poole |
| Roz Mendelson | Brian Nicholson | Jim Potticary |
| John Meyerstein | David Nickle | Rob Prentice |
| Bill Michelson | Wendy Noble | Maja Prentice |
| Mofeed Michael | Ron Noonan | Valerie Preston |
| Bill Mickle | Bob Nosal | Christine Primeau |
| Joe Mihevc | David Nowlan | Michael Prue |
| Glenn Miller | Nadine Nowlan | Anne Pyke |
| Jannie Mills | Frances Nunziata | |
| Rob Milligan | Gail Nyberg | Stephen Quinlan |
| Peter Milligan | John Nywening | |
| Robert Millward | | Bob Ramsay |
| John Miron | John O'Bryan | Doug Raven |
| David Mirvish | Gerri-Lynn O'Connor | Larry Reed |
| Tim Mischuk | Judith Ochalski | Peter Regenstreif |
| James Mitchell | Case Ootes | Karl Reichert |
| Michael Mitchell | Steve Orsini | Heather Reisman |
| Ron Mitchell | Nick Papa | Bob Richards |
| Rash Mohammed | Andrea Park | Dana Richardson |
| David Moll | Gail Parks | Don Richmond |
| Christian Monnier | Lou Parsons | Rhonda Ridgway |
| Leith Moore | Charles Pascal | Joseph Rinaldo |
| Peter Moore | Edy Pasia | Joan Roberts |
| Wayne Morgan | Elizabeth Patterson | Peter Robertson |
| Phyllis Morris | Marilyn Pearce | Margaret Rodrigues |
| Bob Morrow | Jane Peatch | Rae Roebuck |

A P P E N D I X C

| | | |
|---------------------|-------------------|----------------------|
| Jack Rose | Marty Smye | Elaine Todres |
| Don Roughley | Ray Snow | Ray Tomalty |
| Rocco Rossi | Richard Soberman | Peter Tomlinson |
| Virginia Rowden | Al Solski | Alan Tonks |
| Barry Rowland | Scott Somerville | Linda Torney |
| June Rowlands | Gregory Sorbara | Ginnie Nelson-Turner |
| Marie Rozario | Edward Sorbara | Wendy Tysall |
| Jan Ruby | Stephen Sparling | Shane Tyson |
| Susan Ruddick | Vito Spatafora | |
| Jan Rush | Bob Spencer | David Vallance |
| Mark Ryall | Diane Springstein | Wandi van Leeuwen |
| Patrick (Sid) Ryan | Jim Stanford | Peter van der Laan |
| | Philip Stenning | Donna VanAlstine |
| Emmaleen Sabourin | Thom Stenson | Ron Vanderbelt |
| Pat Saito | Murray Stephen | Ann Vanstone |
| Andrew Sancton | Don Stevenson | Reinie Vos |
| Bill Saundercook | Greg Stewart | Ron Vrancart |
| Barbara Saunders | T. Steven Stewart | Peter Walker |
| Beth Savan | Shelly Stillman | John Waller |
| Joyce Savoline | Richard Stren | Walter Wasylko |
| Judy Scala | Maurice Strong | Alan Waterhouse |
| Gary Scandlan | Jason Sturgeon | Cam Watson |
| Rosanna Scotti | Paul Sutherland | Steven Webber |
| Carol Seglins | Brian Sutter | David Weinberg |
| Rod Seiling | John Sweeney | Barry Wellman |
| Marilyn Serjeantson | Tom Sweeting | Alan Wells |
| John Sewell | | Virginia West |
| Jim Sharpe | Glenn Tait | Rodney White |
| Keith Shier | Fortunado Taddi | Richard Whitehead |
| Osker Sigvaldason | Larry Tanenbaum | Sheila Whittaker |
| Richard Simeon | Almos Tassonyi | David Whorley |
| Diane Simone | Tom Taylor | Peter Whylie |
| Ian Sinclair | Bonnie Taylor | Dees de Wijs |
| Andrejs Skaburskis | George Tedder | Bryon Wilfert |
| David Smith | Sante Tesolin | Bob Williams |
| Derek Smith | Jim Thomas | Diane Williams |
| Larry Smith | Thomas Threndyle | Eugene Williams |
| Stuart Smith | William Thorsell | Paul Wilson |

A P P E N D I X C

Chris Winter
James Witty
David Wolfe
Philip Wong
Raymond Wong
Gayle Wood
Margaret Wood
Neil Wood
Jim Woodward
John Wouters
Peter Wright
Peter WylieDiane Young

Paul Zarnke
Eberhard Zeidler
Lorne Zon

Assistance from New Jersey

Katie Burdorf
Dennis Donovan
Jim Lothian
Larry Moretti
Andy Shapiro
Lori Steinemer
Wendy Tabot

Assistance from New York

Stephen Berger
Julia Blinkert
Juan Carlos
Brind Chugairi
Sandy Hornick
Donna Lynne
Ross Moskowitz
Joseph Rose
Tim Stork
Robert Yaro

Assistance from Pittsburgh

Carolyn Marks
David Young Miller
Thomas Murphy

Assistance from Vancouver

Joan Axford
Steve Barnett
Robert Bennett
Robert Bose
Penny Bruin
David Cadman
Ken Cameron
Peter Cave

Nevin Chernick
William Clark
Dennis Davis
Rob Gage
Bill Headen
Brad Henderson
Duncan Jellings
Tom Johnstone
Hugh Kellas
Erik Karlsen
Debra Laser
Josephine Lim
Peter Lofthouse
Dan McEwen
Ben Marr
Bob Metcalfe
Donna Michaels
J. Barrie Mills
Ken Stoke
Al Tamblin
Don Taylor
Bernie Toporowski
Bob Whitmore
Jennifer Whybrow
Richard White
Heather Zomar

SUBMISSIONS

There are 211 submitters listed below. A number provided more than one submission. This list does not include the authors of approximately seventy personal vision statements that were submitted at the Task Force's request by community leaders from various sectors. Their names are not listed because the authors were assured of confidentiality.

Ajax, Pickering, Whitby Hydro Electric Commissions
 Ajax, Town of
 Argier, Lindsay
 Artsvote
 Association of Conservation Authorities of Ontario
 Association of Municipalities of Ontario
 Aurora, Town of
 Bannerman, Groo
 Barr, Erin
 Beath, Walter
 Berry, Bob
 Bloor-Bathurst Madison Business Association
 Blythe, Scot and Nelson, Fiona
 Boards of Education, Peel, Durham, Halton, and York Regions
 Board of Trade of Metropolitan Toronto
 Boggs, Michael H., CAO, Region of Niagara
 Bossons, Ila
 Bossons, Professor John
 Bourne, Professor Larry S.
 Brampton Board of Trade
 Brampton, City of
 Brampton Hydro-Electric Commission
 Brock, Township of
 Buck, Karen
 Burlington, City of
 Bushby, Abby
 Caccia, Charles, MP
 Caledon, Town of
 Canadian Bankers Association
 Canadian Federation of Independent Business

A P P E N D I X D

Canadian Institute of Public Real Estate Companies
Canadian Life & Health Insurance Association Inc.
Canadian Property Tax Association Inc.
Canadian Union of Public Employees - Local 79
Canadian Urban Research Bureau
Carr, George
Cavanagh, Larry
Challinor II, John
Children's Aid Society of Metropolitan Toronto
CHP Heritage Centre
Citizens for Property Tax Reform
Clarington, Municipality of
Comay, Professor Eli
Connell, Stephen
Conseil des écoles francaises de la communauté urbaine de Toronto
Consulting Engineers of Ontario
Cook, Jennifer
Confederation of Resident & Ratepayer Association
Credit Valley Conservation Authorities
Cryer, Kathy (Citizens Against the Amalgamation of School Boards)
Dowd, Eric
Downey, William B.
Dufferin-Peel Roman Catholic Separate School Board
Durham, Regional Municipality of
East Gwillimbury, Town of
East York Board of Health
East York, Borough of
Engel, Krystyna
Environmentalists Plan Transportation
Etobicoke Board of Health
Etobicoke, City of
Etobicoke Federation of Ratepayers' & Residents' Association
Etobicoke Hydro
Federation of Canadian Municipalities & Canadian Association of Municipal Administrators
Federation of Metro Tenants' Association
Federation of Oakville Residents Groups
Gauer, Christopher

Gaul, Alison
 Gaw, Doris
 Georgina, Town of
 Greater Toronto Co-ordinating Committee
 Green Door Alliance Inc.
 Griffin, Lois
 GTA Conservation Authorities
 Gutkowski, Stefan E.
 Halton, Regional Municipality of
 Halton Board of Education
 Halton Hills, Town of
 Halton Hills Corridor Development Association
 Halton Regional Police Services Board
 Hamilton-Wentworth, Regional Municipality of
 Harbourfront Centre
 Harron, Kevin
 Heighington, Gary
 Heisey, Alan
 Hopcraft, Marcia
 Hopcraft, Marg
 Hospital Alliance of Durham, Halton, Peel and York
 Hotel Association of Metropolitan Toronto
 Independent Cab Owners' Co-operative Incorporated
 Institute of Municipal Assessors
 International Council of Shopping Centres
 Janle, C. E.
 Kalaydjian, Steve
 Karmiris, Maria
 Kay, Jeffrey
 Kinahan, Blake F.
 King, Township of
 Kite, Fred C.
 Kyle, Dr. Robert
 Labour Council of Metropolitan Toronto and York Region
 Lavalle, Nick
 Leone, Marie; Plunkett, Valerie; Halliday, Wanda and Coaten, Robert

A P P E N D I X D

Liczky, W.A., Commissioner of Finance and Treasurer, City of North York
Long, John J.
Longwoods Publishing Corporation
Mahdjoubi, Darius P.Eng.
Mangov, Brett
Markham, Town of
Markland Homes Association
Markham Hydro Electric Commission
McKnight, Margaret
Meadow Wood Rattray Ratepayers Association
Metro Action Committee on Public Violence Against Women and Children
Metro Cultural Advisory Committee
Metro Toronto Sewer and Watermain Contractors Association
Metropolitan Separate School Board
Metropolitan Toronto, Municipality of
Metropolitan Toronto District Health Council
Metropolitan Toronto Library Board
Metropolitan Toronto Police Services Board
Metropolitan Toronto School Board
Metropolitan Toronto's Electric Utilities
Miller, Gavin
Milton, Town of
Milton Public Library
Mississauga, City of
Mississauga Board of Trade
Morgan, Gerry, Assessment Commissioner, Huron-Perth Counties
Motala, Yasmeen
Mulkewich, Walter
Municipal Electric Association, District Four
Municipal Tax Collectors of Ontario
Mushinski, Hon. Marilyn, MPP
Newmarket, Town of
Niagara Escarpment Commission
Nicholson, Brian
North York , City of
North York Board of Education
North York Board of Health

A P P E N D I X D

North York Hydro
Oakville, Town of
Oakville Citizens' Committee on Property Tax Reform
Ontario Arts Council
Ontario Cable Telecommunications Association
Ontario Community College Student Parliamentary Association
Ontario Public School Boards' Association
Ontario Secondary School Teachers Federation, District 51, East York
Ontario Separate School Trustees' Association
Ontario Waste Management Association
Orangeville, Town of
Organizational Renewal Project (OPP)
Oshawa, City of
Oshawa & District Chamber of Commerce
Peel, Regional Municipality of
Peel Board of Education
Peel Region Police Services Board
Pickering, Town of
Police Associations of Halton, Peel, York, and Durham Regions
Powell, Thomas L., Fire Chief, City of Scarborough
Quance, Jeff
Regional Municipalities of Durham, Halton, Peel, and York, Chairs
Regional Planning Commissioners of Ontario
Richmond Hill, Town of
Roberts, Bill
Rosenberg, Michael
Safe Sewage Committee
Scarborough, City of
Scarborough Public Utilities Commission
Scarborough Volunteer Citizens' Budget Advisory Committee
Seiling, Ken
Sewell, John
Sexsmith, Mark
SMART Toronto
Society of Industrial and Office Realtors
South East Toronto Industrial Awareness Organization



A P P E N D I X D

Topham Park Homeowners' Association
Tormey, Tim
Toronto, City of
Toronto Arts Council
Toronto Board of Education
Toronto Board of Health
Toronto Construction Association
Toronto Economic Advisory Committee
Toronto Harbour Commissioners
Toronto Real Estate Board
Toronto Taxi Cab Owners and Operators Association
Transit Integration Steering Committee
Transport 2000 Ontario, Inc.
Tyrrell, Amber
Uxbridge, Township of
Vallance, David
Vance, C. E.
Vaughan, City of
Visima, Ryan
Wrantsis, Litsa
Ward 2 Parents Council, Board of Education for the City of Toronto
Waterfront Regeneration Trust
Whitby, Town of
White, Robert M.
Whitehead, Richard, Councillor, Regional Municipality of Peel
Wiesner, Peter A.
Wilfert, Bryon
York, City of
York, Regional Municipality of
York Federation of Ratepayers Association Inc.
York Region Board of Education
York Regional Police Senior Officer's Association
York Region Roman Catholic Separate School Board
York Region Police Services Board
York University

LIST OF BACKGROUND PAPERS

| <i>Author(s)</i> | <i>Name of Report</i> |
|--|---|
| Anderson, Bill | Summary of Municipal Economic Development Activities in the Greater Toronto Area |
| Blais, Pamela (Berridge Lewinberg Greenberg Dark Gabor Ltd.) | The Economics of Urban Form |
| Blake, Ron (Berridge Lewinberg Greenberg Dark Gabor Ltd.) | Review of Conservation Authorities in the Greater Toronto Area |
| Brown, Ian | Report to the GTA Task Force on Economic Development Activities of the Provincial and Federal Governments |
| Carr, Glenna (Carr-Gordon Limited) | Promoting Entrepreneurial Municipalities |
| Carr, Glenna (Carr-Gordon Limited) | Provincial-Municipal Interface |
| C.N. Watson and Associates Ltd. | Discussion Paper re Selected Development Charges Issues |
| C.N. Watson and Associates Ltd. | Overview of Annual Expenditure Implications of a Greater Toronto Regional Municipality |
| Irwin, Neal A. (IBI Group) | The GTA Urban Structure Concepts Study Revisited: Broad Revision of Selected Cost Estimates |
| McLaren, Elizabeth; John Farrow and Andrew Farncombe | Report to the GTA Task Force on Process Options |
| Ministry of Finance | Preliminary Tax Impact Models for Metropolitan Toronto Using 1994 Trended Market Values |

A P P E N D I X E

| | |
|--|--|
| Pecaut, David (The Boston Consulting Group) | The Fourth Era: The Economic Challenges Facing the GTA (Slide presentation) |
| Pecaut, David (The Boston Consulting Group) | The Fourth Era: The Economic Challenges Facing the GTA (Summary) |
| Sancton, Andrew | Introductory Material for GTA Task Force Report |
| Slack, Enid (Enid Slack Consulting Inc.) | Is There an Economic Crisis in the GTA Core? |
| Stevenson, Don (Canadian Urban Institute) | Inventory of Existing Governance Structures in the Greater Toronto Area |
| Taxation Policy Branch Ministry of Finance | Unit Value Assessment Study |

EXPLANATION OF IMPACT CALCULATIONS

CHANGES MADE TO THE EXISTING GTA GOVERNMENT STRUCTURE

To assist the Task Force in its deliberations, Hemson Consulting Limited was retained to develop a model which could simulate the impacts of various organizational and policy changes as provided by the Task Force to Hemson Consulting Limited. A model was developed to permit the following:

- the transfer of function-specific operating expenditures and revenues from one jurisdiction to another;
- the elimination of upper-tiers by allocating their operating expenditures/revenues to area municipalities;
- alterations in Provincial conditional grant funding on a service by service basis;
- changes to the level of unconditional grant funding on a service by service basis;
- changes resulting from the elimination of capital grants on a service by service basis; and
- cost savings identified by the Task Force resulting from increased service level efficiencies.

The scenario results summarized in Exhibit 6.6 include the following organizational and policy changes to the current GTA government structure:

- elimination of all upper-tier municipalities;
- creation of a new GTA governing body;
- transferring various municipal functional responsibilities to the Province or the GTA;
- changing the current unconditional grant funding formula;
- cutting operating grants for all municipal functions;
- cutting capital grants for specific municipal functions.

Organizational and policy changes create “allocation issues.” Upper-tier costs must be allocated among the remaining lower-tier municipalities or allocated to other jurisdictions such as the GTA or Province.

ALLOCATION ISSUES

Elimination of All Upper-Tier Municipalities

- The reduction in upper-tier taxation resulting from the elimination of upper-tiers is allocated to the lower tiers based on existing apportionment shares.
- Upper-tier non-program revenue is allocated based on existing apportionment shares.

A P P E N D I X F

- Upper-tier payment-in-lieu revenue is allocated to the lower-tier where the revenues originated.
- Any upper-tier surplus or deficit is allocated to the lower-tiers based on existing apportionment shares.
- Any function's costs that were not assigned to the Province or the GTA had to be allocated to the lower-tiers. Population was used as the method of allocating costs in the absence of any better data. Data on kilometres of roads by area municipality were provided by Task Force staff for Peel and Metropolitan Toronto, and these data were used to allocate road costs to area municipalities in the respective regions.

Various municipal functions were assigned to a new GTA body. The net expenditures of these functions were allocated back to lower-tier municipalities in one of two ways:

- General government, police, conservation authority, transit, and assistance to the aged were allocated using a two-step approach. The total net expenditures of each region were calculated and this total was first allocated back to the former upper-tier and then to the lower-tier based on their apportionment share of the former region.
- The net expenditures of the Metro Zoo, the Metro Reference Library, other cultural facilities, regional planning, economic development, agriculture and reforestation, air transportation, and garbage disposal were allocated based on each municipality's share of weighted equalized assessment across the entire GTA.

The following functions were assigned to the Province, with their corresponding net expenditures becoming Provincial responsibilities:

- hospitals
- general assistance
- assistance to children
- day nurseries

**Creation of a
New "GTA"
Governing
Body**

**Changing
Various
Municipal
Functional
Responsibilities
to Provincial
Responsibilities**

FUNDING CHANGES

Unconditional grants were eliminated. Instead, a revised unconditional grants program was assumed such that the overall Provincial position was financially neutral. The new unconditional grant was distributed on a per capita basis.

**Changing the
Current
Unconditional
Grant Funding
Formula**

A P P E N D I X F

Cutting Capital Grants for Specific Municipal Functions

Capital grants (which were assumed to be the average capital grants received over the 1990-1994 period) were eliminated for all functions except transit, air transportation, and garbage disposal. Losses in capital grants were assumed to require a corresponding increase in taxation.

Factoring in Savings Identified by the Task Force

The Task Force identified \$107 million in savings to municipal governments which result from streamlining administration through governance changes. These savings were apportioned to municipalities based on their shares of equalized assessment. Savings estimates by C.N. Watson and Associates Ltd.

Cutting Operating Grants for All Municipal Functions

Operating grants were eliminated for all functions.

SELECTED BIBLIOGRAPHY

- Ackroyd, Stephen. *New Technology and Practical Police Work: The Social Context of Technical Innovation*. Buckingham, U.K.: Open University Press, 1992. **Monographs**
- Barlow, I.M. *Metropolitan Government*. London: Routledge, 1991.
- Bayley, David H. *Police for the Future*. New York and Oxford: Oxford University Press, 1994.
- Beck, Nuala. *Excelerate: Growing in the New Economy*. Toronto: Harpers Collins Publishers Ltd., 1995.
- Bird, Richard. *Charging for Public Services: A New Look at an Old Idea*. Toronto: Canadian Tax Foundation, 1976.
- _____ and Enid Slack. *Urban Public Finance in Canada*. 2nd ed. Toronto: John Wiley & Sons, 1993.
- Bourne, Larry S. and Antony E. Olvet. *New Urban and Regional Geographies in Canada: 1986-91 and Beyond*. Major Report 33. Toronto: Centre for Urban and Community Studies, University of Toronto, July 1995.
- Bunce, Michael. *The Countryside Ideal*. London and New York: Routledge, 1994.
- Canadian Urban Institute. *Planning the Toronto Region: Lessons from Other Places*. Toronto: Canadian Urban Institute, 1991.
- Castells, Manuel. *The Informational City: Information Technology, Economic Restructuring, and the Urban-Regional Process*. Oxford: Blackwell Publishers, 1989.
- _____ and Peter Hall. *Technopoles of the World: The Making of the 21st Century Industrial Complexes*. London and New York: Routledge, 1994.
- Christopher, Johnson, ed. *Privatization and Ownership*. London: Lloyds Bank Review, 1988.
- Commission of Inquiry into Policing in British Columbia Final Report*. "Closing the Gap: Policing and the Community." 4 vols. Wallace T. Oppal, Commissioner. Victoria, B.C.: Government Printer, 1994.
- De Reus, Mary, ed. *1995 Toronto Region Top Employers Guide*. Toronto: Board of Trade of Metropolitan Toronto, 1994.

A P P E N D I X G

De Tocqueville, Alexis. *Democracy in America*. New York: Garden City, 1969.

Donahue, John. *The Privatization Decision: Public Ends, Private Means*. New York: Basic Books, 1989.

Duffy, Hazel. *Competitive Cities: Succeeding in the Global Economy*. London: EFN Spon, 1995.

Etzioni, Amitai. *The Spirit of Community: The Reinvention of American Society*. New York: Simon & Schuster, 1994.

Final Report of the Commission on Planning and Development Reform in Ontario. "New Planning for Ontario." John Sewell, Chair. Toronto: Queen's Printer, 1993.

Final Report of the Ottawa-Carleton Regional Review Commission. L. Graeme & Kirby, Commissioner. Toronto: Queen's Printer, 1992.

Friskin, Frances, ed. *The Changing Canadian Metropolis: A Public Policy Perspective*. 2 vols. Berkeley, California: Institute of Governmental Studies Press, University of California, 1994.

Fulford, Robert. *Accidental City: The Transformation of Toronto*. Toronto: Macfarlane, Walter & Ross, 1995.

Garreau, Joel. *Edge City: Life on the New Frontier*. New York: Doubleday, 1991.

Hitchcock, John R. and Anne McMaster, eds. *The Metropolis: Proceedings of a Conference in Honour of Hans Blumenfeld*. Toronto: University of Toronto, 1985.

Interim Report of the Transit Integration Steering Committee in the Greater Toronto Area. Transit Integration Steering Committee, September 1995.

Jacobs, Jane. *The Economy of Cities*. New York: Random House, Inc., 1969.

_____. *Cities and the Wealth of Nations: Principles of Economic Life*. New York: Random House, 1984.

_____. *The Death and Life of Great American Cities*. Vintage Books edition. New York: Random House, Inc., 1992.

Kennedy, Paul. *Preparing for the Twenty-first Century*. Toronto: Harper Collins Publishers Ltd., 1993.

A P P E N D I X G

Kenworthy, Jeffrey R. and Peter W.G. Newman. *Cities and Automobile Dependence: A Sourcebook*. Vermont: Gower Publishing Company Limited, 1989.

Kitchen, Harry and Enid Slack. *Business Property Taxation*. Ottawa: Government and Competitiveness, School of Policy Studies, Queen's University, 1993.

Knight, Richard V. and Gary Gappert. *Cities in a Global Society*. Newbury Park: Sage Publications, 1989.

Ledebur, Larry C. and William R. Barnes. *'All In it Together': Cities, Suburbs and Local Economic Regions*. Washington, DC: National League of Cities, 1993.

Maclaren, Virginia W. *Sustainable Urban Development in Canada: From Concept to Practice*. 3 vols. Toronto: ICURR Press, 1992.

McDavid, James. *Privatization: Tactics and Techniques*. Vancouver: The Fraser Institute, 1988.

Manning, Peter. *Organizational Communication*. New York: A. de Gruyter, 1992.

Normandeau, A. and B. Leighton. *A Vision of the Future of Policing in Canada: Police Challenge 2000*. Ottawa: Solicitor General of Canada, 1990.

Ohmae, Kenichi. *The End of the Nation State: The Rise of Regional Economics*. New York: McKinsey & Company Inc., 1995.

Osborne, David and Ted Gaebler. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. Reading, Massachusetts: Addison-Wesley Publishing Company, Inc., 1992.

Peirce, Neal R.; with Curtis W. Johnson and John Stuart Hall. *Citistates: How Urban America Can Prosper in a Competitive World*. Washington, DC: Seven Locks Press, 1993.

Porter, Michael E. *The Competitive Advantage of Nations*. New York: The Free Press, 1990.

Putnam, Robert D.; Robert Leonardi and Raffaella Y. Nanetti. *Making Democracy Work: Civic Traditions*. Princeton, New Jersey: Princeton University Press, 1993.

Reich, Robert B. *The Work of Nations: Preparing Ourselves for 21st Century Capitalism*. New York: Alfred A. Knopf, 1994.

A P P E N D I X G

Report of the Advisory Committee on the Provincial-Municipal Financial Relationship. "Report to the Minister of Municipal Affairs." Grant Hopcroft, Commissioner. Toronto: Ministry of Municipal Affairs, 1991.

Report of the Commission on the Reform of Property Taxation in Ontario, Toronto: Queen's Printer, 1977.

Report of the Metro Task Force on Cost Savings Through Cooperative Activities. Edward N. McKeown, Chair. Toronto: Minister of Education and Training, May 1995.

Report of the Niagara Region Review Commission. Toronto: Queen's Printer, 1989.

Report of the Ontario Committee on Taxation. Toronto: Queen's Printer, 1967.

Report of the Ontario Fair Tax Commission. "Fair Taxation in a Changing World." Toronto: Queen's Printer, 1993.

Report of the Premier's Council of Ontario. "Competing in the New Global Economy." 3 vols. Toronto: Queen's Printer, 1988.

Report of the Premier's Council of Ontario. "People and Skills in the New Global Economy." Toronto: Queen's Printer, 1990.

Report of the Provincial Municipal Social Services Review. Toronto: Ontario Ministry of Community and Social Services, 1990.

Report of the Race Relations and Policing Task Force. Clare Lewis, Chair. Toronto: Ministry of the Solicitor General, 1989.

Report of the Race Relations and Policing Task Force. Clare Lewis, Chair. Toronto: Ministry of the Solicitor General, 1992.

Report of the Royal Commission on the Future of the Toronto Waterfront. "Regeneration: Toronto's Waterfront and the Sustainable City." David Crombie, Commissioner. Toronto: Queen's Printer for Ontario, 1992.

Report of the Royal Commission on Learning. "For the Love of Learning." Gerald Caplan, Commissioner. Toronto: Queen's Printer, 1995.

Report of the Royal Commission on Metropolitan Toronto. "Metropolitan Toronto: A Framework for the Future." 2 Vols. John Robarts, Commissioner. Toronto: Queen's Printer, 1977.

Report of the Royal Commission on Metropolitan Toronto. Carl Goldenberg, Commissioner. Toronto: Queen's Printer, 1965.

Report of the Social Assistance Review Committee. "Transitions." Toronto: Queen's Printer, 1988.

Report to the Solicitor General. "Fire Service Review Committee and Subsequent Deliberations." Toronto: Ministry of the Solicitor General and Correctional Services.

Rusk, David. *Cities Without Suburbs.* 2nd ed. Washington DC: The Woodrow Wilson Center Press, 1995.

Russell, Victor L. ed. *Forging a Consensus: Historical Essays on Toronto.* Toronto: University of Toronto Press, 1984.

Sancton, Andrew. *Governing Canada's City-Regions: Adapting Form to Function.* Montreal: Institute for Research on Public Policy, 1994.

Sassen, Saskin. *Cities in a World Economy.* London: Pine Forge Press, 1994.

Seidie, Leslie F., ed. *Rethinking Government: Reform or Reinvention.* Montreal: The Institute for Research on Public Policy, 1994.

Sewell, John. *The Shape of the City: Toronto Struggles with Modern Planning.* Toronto: University of Toronto Press, 1993.

Sharpe, L.J. (Jim), ed. *The Government of World Cities: The Future of the Metro Model.* New York: John Wiley & Sons, 1995.

Slack, Enid. *Development Charges in Canadian Municipalities: An Analysis.* Toronto: ICURR Press, 1994.

_____. *The Land-Use Implications of Alternative Municipal Financial Tools: A Discussion Paper.* Toronto: ICURR Press, 1993.

Smye, Marti. *You Don't Change a Company By Memo: The Simple Truths About Managing Change.* Toronto: Key Porter Books Limited, 1994.

Stevenson, Don, ed. *Non-Residential Property Taxation and Competitive Advantage in the Greater Toronto Area.* Seminar proceedings. Toronto: Canadian Urban Institute, 1994.

Tindal, C.R. and S. Nobes Tindal. *Local Government in Canada*. Toronto: McGraw-Hill Ryerson, 1995.

ARTICLES AND MISCELLANEOUS DOCUMENTS

Demographics Hemson Consulting Ltd. and Coopers & Lybrand Consulting Group. "The Outlook for Population and Employment in the GTA." Report prepared for the Office for the Greater Toronto Area, August 1995.

Municipality of Metropolitan Toronto. Access & Equity Centre. "The Composition and Implications of Metropolitan Toronto's Ethnic, Racial and Linguistic Populations 1991." Prepared by Tana Turner, May 1995.

United States Department of Commerce. Bureau of the Census. "Statistical Abstract of the United States." 1994.

Economic Competitiveness Advisory Committee on a Cultural Industries Sectoral Strategy. *The Business of Culture: A Summary*. Toronto: Queen's Printer for Ontario, 1995.

Board of Trade of Metropolitan Toronto. "Killing the Golden Goose: How High Business Property Taxes are Suppressing Metropolitan Toronto's Economic Recovery & What Needs to be Done About It." October 1994.

City of New York. "Reengineering Business Regulation: Report of the SWAT Team on Regulatory Reform." September 1994.

Cobb, Clifford; Ted Halstead, and Jonathon Rowe. "If the GDP Is Up, Why Is America Down?" *Atlantic*, October 1995, pp. 59-78.

Deloitte Touche Tohmatis International. "The Future of Retail Banking – A Global Perspective." New York, September 1995.

Dosi, Giovanni. "Sources, Procedures and Microeconomic Effects of Innovation." *Journal of Economic Literature*, vol. 26, September 1988, pp. 1120-1171.

A P P E N D I X G

Environics Research Group Limited. "Report on the Quality of Life in the GTA, Phase Two: Attitudinal Study." Report prepared for the Greater Toronto Coordinating Committee, August 1995.

Gertler, Meric S. *The Economic Context of Restructuring in the Toronto Region: Sources of Change and Implications*. Paper presented at the Kyoto University - University of Toronto "Symposium for Mutual Understanding of Japan and Canada," Kyoto University, Kyoto, February 15-16, 1994.

_____. "Being There: Proximity, Organization and Culture in the Development and Adoption of Advanced Manufacturing Technologies." *Economic Geography*, vol. 71, no. 1, January 1995, pp. 1-26.

_____. *Toronto: The State of the Regional Economy*. Toronto: Minister of Supply and Services Canada, 1990.

Gilbert, Richard and Penny Pepperell. "Central Area Location Study: Final Report." Report prepared for the Planning and Development Department, City of Toronto, November 1994.

Greater Toronto Coordinating Committee Quality of Life Steering Committee. "Comparative Advantage: An Enviably Quality of Life." Executive Summary of the Report on the Quality of Life in the Greater Toronto Area. September 1995.

KPMG. "A Comparison of Business Costs in Canada and the United States." Report prepared for the USA Trade and Investment Division, Department of Foreign Affairs and International Trade, Ottawa, Canada, March 1995.

_____. "Analysis of New York's Business Tax Competitiveness." *State Tax Notes*. 1994.

Markusen, Ann. *Toronto's Economic Future: A Ruminant on Comparisons with Seven U.S. Cities*. Paper presented at the "Urban Regions in a Global Context" conference at the University of Toronto, Toronto, Ontario, October 18-20, 1995.

Maurice, Peter. "Health Care: A Competitive Weapon." *Business Quarterly*, vol. 56, Spring 1992, pp. 118-23.

Moss, Mitchell L. *Made in New York: The Future of Manufacturing in the City of New York*. New York: Urban Research Center, Robert F. Wagner Graduate School of Public Service, New York University, August 1994.

A P P E N D I X G

Nowlan, David M. *The Changing Toronto-Area Economy: An Overview*. Paper presented at "Towards an Industrial Land Strategy: A Forum on the Future of Industrial Land" at Metro Hall, Toronto, Ontario, December 13, 1994.

O'Neill, Hugh and Mitchell L. Moss. *Reinventing New York: Competing in the Next Century's Global Economy*. New York: Urban Research Center, Robert F. Wagner Graduate School of Public Service, New York University, 1991.

Porter, Michael E. "The Competitive Advantage of the Inner City." *Harvard Business Review*, May - June 1995, pp. 55-71.

_____. "Toward a New Economic Vision for Canada." *In Canada at the Crossroads*. Ottawa: Business Council on National Issues and Industry, Science and Technology Canada, 1993, Chapter 3.

Price Waterhouse and Quebec Ministry of Finance. "Corporate Taxation in Quebec: A Competitive System." Report prepared for the Quebec Ministry of Finance, 1994.

Saporito, Bill. "The World's Best Cities for Business." *Fortune*, November 1994, pp. 115-24.

Savitch, H.V. "Ties that Bind: Central Cities, Suburbs and the New Metropolitan Region." *Economic Development Quarterly*, no. 7, November 1993, pp. 341-57.

Walmsley, Ann. "Smart Cities." *Report on Business Magazine*, August 1995, pp. 45-68.

Youngman, Joan M. and Jane Malme. *An International Survey of Taxes on Land and Buildings*. Boston: Kluwer Law and Taxation Publishers, 1994.

Environment

Ahearn, Jennifer; Christopher De Sousa, Neil Mallen, Shelagh Sturtridge and Jane Welsh. "Our Industrial Legacy: Environmental Regulations and the Demand for Brownfield Sites in the Greater Toronto Area." Program in Planning, University of Toronto, December 1995.

Baker, Joden D. "Lenders' Environmental Liability." *Banking & Finance Law Review*, vol. 6, 1990-1991, pp. 189-199.

Canadian Mortgage and Housing Corporation. "The Relationship between Urban Soil Contamination and Housing in Canada." Prepared for CMHC by Gardner Church & Associates, December 1993.

A P P E N D I X G

City of Vancouver. *Final Report of the City of Vancouver Task Force on Atmospheric Change*. "Clouds of Change." vol. 2. Vancouver, 1990.

City of Toronto. Department of the City Clerk. *Environmental Concerns on Demolition Permit Applications*. Clause embodied in Report No. 5 of the Land Use Committee adopted by Council on April 13 & 14, 1992.

College of Architecture and Landscape Architecture. Design Center for American Landscape. *Case Studies Integrating Urban Design and Ecology*. Minnesota: University of Minnesota, 1995.

Conservation Authorities of Ontario. "Restructuring Resource Management in Ontario: A Blueprint for Success." May 1993.

Ford, Glenna; Doug MacDonald and Mark Winfield. "Who Pays for Past Sins?" *Alternatives*, vol. 20, no. 4, 1994, pp. 28-34.

Iannone, Donald T., "Redeveloping Urban Brownfields." *Landlines*, vol. 7, no. 6, November 1995, pp. 1-3.

National Roundtable on the Environment and the Economy and Ontario Round Table on Environment and Economy. *A Strategy for Sustainable Transportation in Ontario: Report of the Transportation and Climate Change Collaborative*. Toronto: Queen's Printer for Ontario, 1995.

OECD. *Economic Instruments for Environmental Protection*. Paris: Organization for Economic Co-operation and Development, 1988.

Ogilvie, M.H. "The Environmental Liability of Banks as Secured Lenders in Canada." *Banking & Finance Law Review*, vol. 8, 1992-1993, pp. 363-384.

White, Rodney and Joe Whitney. "Cities and the Environment: An Overview." In Richard Stren, Rodney White and Joe Whitney, eds., *Cities: Urbanization and the Environment in International Perspective*. Oxford: Westview Press, 1992, pp. 8-51.

Willis, Bruce L. "Lender, Receiver and Trustee Liability for Environmental Obligations." *Cdn. Journal of Admin. Law & Practice*, vol. 8, no. 3, October 1995, pp. 241-261.

Association of Municipalities of Ontario. *Local Governance in the Future: Issues and Trends*. Toronto: Association of Municipalities of Ontario, 1994.

Governance

A P P E N D I X G

Bow, James. "Five Regions, One City: Regional Government in the Greater Toronto Area — Its History, Challenges and Prospects For Change." A Senior Honours Essay presented to the University of Waterloo, University of Waterloo, April 1995.

Church, Gardner. *The North American Failure: The Politics of Cities: The Governance of Regional Cities*. Paper delivered at the Faculty of Environmental Studies, York University, February 1994.

Dieleman, Frans M. and Chris Hamnett. "Globalisation, Regulation and the Urban System: Editor's Introduction to the Special Issue." *Urban Studies*, vol. 31, no. 8, 1994, pp. 357-63.

Drucker, Peter F. "Really Reinventing Government." *Atlantic*, February 1995, pp. 49-61.

Gertler, Len. "The Regional City of the 21st Century: Looking Back to Look Forward." Unpublished paper.

Gottmann, Jean. "Why Metropolitan Organisation?" In L.J. Sharpe, ed., *The Government of World Cities: The Future of the Metro Model*. New York: John Wiley & Sons, 1995, pp. 1-9.

Hall, Peter. *Strategic Metropolitan Planning: The London Experience*. Paper presented at the "Urban Regions in a Global Context" conference at the University of Toronto, Ontario, October 18-20, 1995.

IBI Group. "Comuter Rail Station Location Study: Final Report." Prepared for the Municipality of Metropolitan Toronto, Toronto, Ontario, 1991.

Kilmartin, Leslie. *Social Change in the Global City: the Challenge of Diversity*. Paper presented at the "Urban Regions in a Global Context" conference at the University of Toronto, Toronto, Ontario, October 18-20, 1995.

Naftalin, Arthur. *Making One Community Out of Many: Perspectives on the Metropolitan Council of the Twin Cities Area*. St. Paul, Minnesota: Metropolitan Council of the Twin Cities Area, 1986.

Price Waterhouse. "Impact Analysis of One-Tier Government." Report prepared for the eleven local municipalities in Ottawa-Carleton, August 1992.

A P P E N D I X G

Rothblatt, Donald N. "North American Metropolitan Planning, Canadian and U.S. Perspectives." *Journal of the American Planning Association*, vol. 60, no. 4, Autumn 1994.

Sharpe, L.J. (Jim). *Is There a Case for Metropolitan Government?* Paper presented at the "Urban Regions in a Global Context" conference at the University of Toronto, Toronto, Ontario, October 18-20, 1995.

_____. "The Future of Metropolitan Government." In L.J. (Jim) Sharpe, ed. *The Government of World Cities: The Future of the Metro Model*. New York: John Wiley & Sons, 1995, pp. 12-31.

The Future of Greater Montreal: Lessons for the Greater Toronto Area? Proceedings of a conference held at Metro Hall, Toronto, Ontario, February 25, 1994. Toronto: Canadian Urban Institute, 1994.

Turner, James W. "The Allegheny Regional Asset District: Communities Thinking and Acting Like a Region." *Government Finance Review*, June 1995, pp. 19-22.

Adler, Jerry. "Bye-Bye, Suburban Dream: 15 Ways to Fix the Suburbs." *Newsweek*, May 1995, pp. 40-53.

**Infrastructure
/Land Use**

Berridge Lewinberg Greenberg Ltd. "Shaping Growth in the GTA: A Commentary Report." Report prepared for the Greater Toronto Coordinating Committee, September 1992.

Bourne, Larry S. "The Roepke Lecture in Economic Geography — Recycling Urban Systems and Metropolitan Areas: A Geographical Agenda for the 1990s and Beyond." *Economic Geography*, vol. 67, no. 3, 1991, pp. 185-209.

Church, Gardner; Ken Greenberg, and Marilou McPhedran. *The City and Region of Toronto*. Paper presented at the conference on cities in North America, New York, New York, June 14-16, 1995.

Diamond, A.J., "Residential Density and Housing Form," *Journal of Architectural Education*, vol. 29, no.3, February 1976, pp.15-17.

Fulton, William, ed. "Beyond Sprawl: New Patterns of Growth to Fit the New California." Report prepared by the Bank of America, Environmental Policies and Programs, California Resources Agency, Greenbelt Alliance and the Low Income Housing Fund, January 1995.

A P P E N D I X G

Gertler, Meric S. *The Nature of Contemporary Industrial Change: Implications for Land Use in Southcentral Ontario*. Paper presented at "Towards an Industrial Land Strategy: A Forum on the Future of Industrial Land" at Metro Hall, Toronto, Ontario, December 13, 1994.

Goldberg, Michael A. *Urban Futures, Functions and Forms in a Global Setting*. Paper presented at the "Urban Regions in a Global Context" conference at the University of Toronto, Toronto, Ontario, October 18-20, 1995.

Lehman & Associates, with IBI Group, and Hill & Knowlton/Decima Research. "Urban Density Study: General Report." Report prepared for the Office of the Greater Toronto Area, Ontario Ministry of Municipal Affairs, March 1995.

Mackenzie, James J., Roger Dower and Donald Chen. *The Going Rate: What It Really Costs to Drive*. Washington: World Resources Institute, 1992.

Marshall, Koenig and Associates. "Background Study on the Pricing of Water and Sewer Services." Report prepared for the Ontario Ministry of Municipal Affairs, 1991.

Millward, Robert. "City of Toronto: The Big Picture." *Plan Canada*, March 1995, pp. 21-24.

Nowlan, David M. and Greg Stewart. "Downtown Population Growth and Commuting Trips: Recent Experience in Toronto." *Journal of American Planning Association*, vol. 57, no. 2, Spring 1991, pp. 165-82.

Nowlan, David M. "The Effect of Central Area Jobs and Homes on Cordon Crossing: An Update of the Nexus Relationship." Study prepared for Central Area Transportation Review, Municipality of Metropolitan Toronto, January 1995.

Ontario. Ministry of Environment. *Water and Sewer Financing in Ontario: Issues and Options*. Toronto: Queen's Printer, 1991.

_____. Ministry of Municipal Affairs. *Comprehensive Set of Policy Statements*. Toronto: Queen's Printer for Ontario, 1995.

_____. Ministry of Municipal Affairs. Office for the Greater Toronto Area. "GTA 2021 - The Challenge of Our Future." A Working Document, 1992.

_____. Ministry of Municipal Affairs. Office for the Greater Toronto Area. "A Vision for the Countryside." Report of the Provincial-Municipal Countryside Working Group, 1992.

A P P E N D I X G

_____. Ministry of Municipal Affairs. Office for the Greater Toronto Area. "GTA 2021 - Infrastructure." Report of the Provincial-Municipal Infrastructure Working Group, 1992.

_____. Ministry of Municipal Affairs. Office for the Greater Toronto Area. "Urban Form: Bringing the Vision into Focus." Report of the Provincial-Municipal Urban Form Working Group, 1992.

_____. Ministry of Municipal Affairs and Housing. *Making Choices*. Toronto: Queen's Printer for Ontario, 1995.

_____. Ministry of Municipal Affairs and Housing. Greater Toronto Area Coordinating Committee. "GTA Network: A Telecommunications Vision for the GTA." September 1995.

_____. Ministry of Transportation. Transit Integration Steering Committee. "Transit Integration in the Greater Toronto Area." September 1995.

Waterfront Regeneration Trust. "Toronto's Central Waterfront: The City With the Edge." December, 1995.

Canadian Urban Institute. *Non-Residential Property Taxation and Competitive Advantage in the Greater Toronto Area*. Proceedings of a seminar held at Toronto City Hall, November 4, 1994.

**Local
Government
Finance**

Finance Sub-Committee of the Greater Toronto Co-ordinating Committee. "Preliminary Report, Net Revenue Requirement". August 1995.

Metropolitan Toronto School Board. "Student Equity vs. Taxpayer Equity: Changing The Role of Provincial Funding." February 1995.

Ontario. Department of Municipal Affairs. Assessment Education Branch. *An Analysis of the Assessment Amendment Act*, 1971. Toronto: Queen's Printer, 1971.

_____. Ministry of Municipal Affairs and Housing. Greater Toronto Area Co-ordinating Committee. "Rethinking the Fundamentals. Provincial - Local Finances in the Greater Toronto Area." January 1995.

Verbrugge, Henk. *Alternatives to Market-based Property Taxes for Local Government*. Paper prepared for Second International Conference on Local Government Taxation, Budapest, 1993.

Youngman, Joan and Jane Malme. *An International Survey of Taxes on Land and Buildings*. Boston: Kluwer Law and Taxation Publishers, 1994.

**Service
Delivery/
Disentanglement**

Bish, Robert L. "Improving Productivity in the Government Sector: The Role of Contracting Out." In David Laidler, ed. *Responses to Economic Change: Royal Commission on the Economic Union and Development Prospects for Canada*. vol. 27. Toronto: University of Toronto Press, 1986.

Breton, Albert. "The Growth of Competitive Governments." *Canadian Journal of Economics*, vol. 22, no. 4, November 1989, pp. 717-750.

Deacon, R.T. "The Expenditure Effects of Alternative Public Supply Institutions." *Public Choice*, no. 34, 1979, pp. 381-397.

Kitchen, Harry. "Urban Transit Provision in Ontario: A Public /Private Sector Cost Comparison." *Public Finance Quarterly*, vol. 20, no. 1, 1992, pp. 114-128.

_____. *Local Government Enterprise in Canada*. Discussion Paper No. 300. Ottawa: Economic Council of Canada, 1986.

_____. "A Statistical Estimation of an Operating Cost Function for Municipal Refuse Collection." *Public Finance Quarterly*, January 1976, pp. 56-76.

_____. "A Statistical Estimation of an Operating Cost Function for Municipal Water Provision." *Journal of Urban Analysis*, 1976, pp. 119-133.

McDavid, James. "Privatizing Local Government Services in Canada." In *Privatization: Tactics and Techniques*. Vancouver: The Fraser Institute, 1988, pp. 101-116.

_____. "The Canadian Experience with Privatizing Residential Solid Waste Collection Services." *Public Administration Review*, vol. 45, September/October 1985, pp. 602-608.

_____; P.L. Richards and B.E. Doughton. "Privatization of Residential Solid Waste Collection in Richmond, British Columbia." Mimeograph, University of Victoria School of Public Administration, 1984.

_____ and Gregory Schick. "Privatization Versus Union-Management Cooperation: The Effects of Competition on Service Efficiency in Municipalities." *Canadian Public Administration*, vol. 30, no. 3, 1987, pp. 472-488.

_____ and E.G. Clemens. "Contracting out Local Government Services: The B.C. Experience." *Canadian Public Administration*, vol. 38, no. 2, Summer 1995, pp. 177-194.

McRae, James. "Efficient Production of Solid Waste Services by Municipal Governments." Discussion paper prepared for the Government and Competitiveness Project, School of Policy Studies, Queen's University, 1994.

Ontario Fire Marshal. Fire Marshal's Report to the Solicitor General: Public Fire Safety and Legislative Reform in Ontario, 1995.

Ryall, Mark; Joyce Scane and Stephen Lawton. *Ontario School Board Collaboration: Etiology, General Forms and Implications*. Toronto: Ontario Institute for Studies in Education, 1995.

Stenning, Philip. "Police and Politics: There and Back and There Again?" In R.C. Macleod and David Schneiderman, eds., *Police Powers in Canada: The Evolution and Practice of Authority*. Toronto: University of Toronto Press, 1994, pp. 209-240.

Tassonyi, Almos and Wade Locke. "Shared Tax Bases and Local Public Expenditure Decisions." *Canadian Tax Journal*, vol. 41, 1994, pp. 941-957.

The Economic Forum on the Future of the Greater Toronto Area. John Carbone, forum Chair. Proceedings of a forum held at Metro Hall, Toronto, November 23-24, 1994.

Tickner, Glen and James McDavid. "Effects of Scale and Market Structure on the Costs of Residential Solid Waste Collection in Canadian Cities." *Public Finance Quarterly*, vol. 14, 1986, pp. 371-93.

Vickers, John and George Yarrow. "Economic Perspectives on Privatization." *The Journal of Economic Perspectives*, vol. 5, no. 2, 1991, pp. 111-132.

West, Edwin B. *Education and Competitiveness*. Kingston, Ontario: Government and Competitiveness, School of Policy Studies, Queen's University, 1993.

Report of the GTA Task Force January 1996

